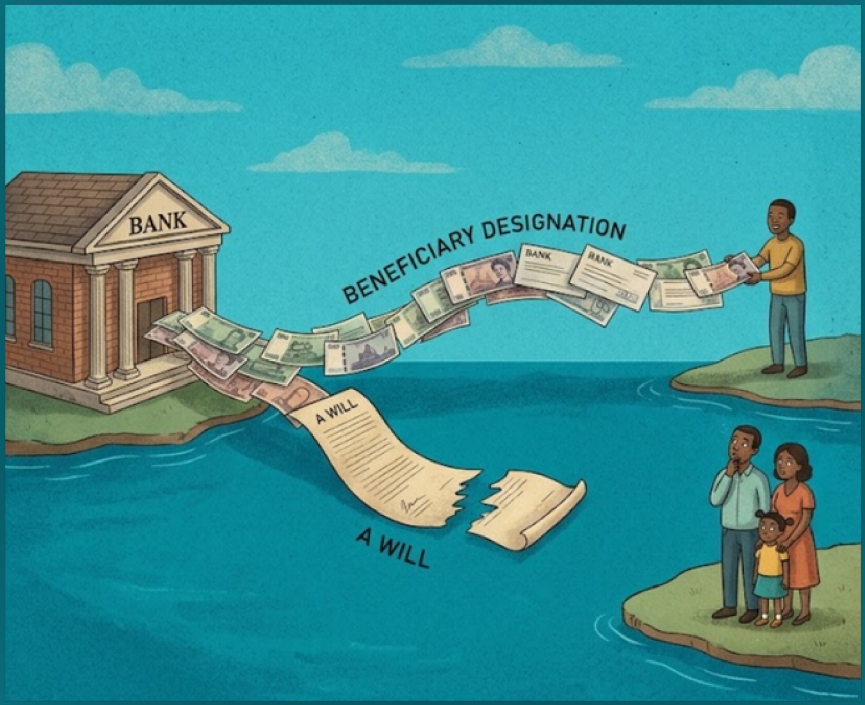
TreasuryPlot EduSeries

Beneficiary Designations vs *a Will*

Why Your Next of Kin May Not Automatically Inherit Your Bank Money



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You named your next of kin when you opened your bank account. But have you ever asked what that actually entitles them to?

Many Nigerians have supplied a next of kin's name to a bank without giving it much thought. It might be their spouse, mother, father, sibling, or another trusted relative. The form is completed, the account is opened, and life continues. Years later, the account holder may get married, have children, acquire property and even write a will. Yet the name recorded on that original bank form may remain unchanged.

What happens if that person dies?

Imagine that, one Saturday morning, you take your time preparing your will. You share your property among your wife, children, and other family members, and you are finally satisfied that everything is in order. You have thought about the people who matter to you, what they should receive and how you want your assets distributed. There is a certain confidence in knowing that your death will not turn into a family dispute about who is entitled to what

You put the document away, satisfied that you have done your part.

You have not reviewed the information your bank holds about your next of kin. You have not asked what happens to your savings when you die, who will be authorised to access them, or whether your family will need to obtain legal documents before the money can be released.

Your will may clearly state that your wife should inherit your assets. Yet when she approaches the bank after your death, she may discover that she cannot simply present the will and withdraw the money. The bank may require evidence of the appropriate legal authority to administer your estate, such as a grant of probate or letters of administration.

Meanwhile, the brother you listed as your next of kin may assume that his name in the bank's records gives him a right to the money. Your wife may believe that the will settles the matter. Both may now be dealing with questions that could have been clarified long before your death.

The underlying problem is not necessarily that you failed to write a will. It is that naming someone as your next of kin, naming someone to receive a benefit, and giving someone legal authority to access a deceased person's assets are three different things.

Understanding that distinction is the starting point for making sense of beneficiary designations, wills and the transfer of financial assets in Nigeria.

What Is a Beneficiary Designation?

A beneficiary designation is a formal instruction identifying the person or people intended to receive a particular benefit or asset under a specific financial arrangement. It is usually recorded on a form or within an agreement with the institution responsible for providing that benefit.

The term may be unfamiliar, but the concept is not. When someone takes out a life insurance policy and names the person who should receive the policy proceeds if they die, that person is a designated beneficiary. Certain pension arrangements and other financial products may also have nomination or beneficiary procedures, although their legal effect differs from that of an insurance nomination.

The important point is that a beneficiary designation is tied to a particular arrangement. It does not automatically apply to everything the person owns, and its legal effect depends on the product, the governing documents and the applicable law.

For example, a man might name his wife as the beneficiary of a life insurance policy. If the insured event occurs and the policy's terms and applicable legal requirements are satisfied, the insurer may pay the claim to the beneficiary named in the policy document.The money is paid under the insurance arrangement, not simply distributed because the man's wife is named in his will.

Now imagine that the same man also owns a savings account. Naming his wife as the beneficiary of the insurance policy does not, by itself, make her the beneficiary of his bank savings. The account is a separate asset governed by its own arrangements and the law applicable to it.

This is why the phrase ‘beneficiary designation’ should not be used as though it describes one universal Nigerian banking procedure. A nomination under an insurance policy, a pension beneficiary or next-of-kin record, and the next-of-kin field on an ordinary bank account may look similar on a form, but they do not necessarily have the same legal consequences.

For a Nigerian, the first question should therefore be: ‘What exactly have I signed, and what legal effect does that particular document have?

Next of Kin, Beneficiary, Heir and Executor: Who Does What?

The confusion becomes easier to understand when we distinguish the roles involved.

A next of kin is generally recorded as a person’s closest relative or designated contact for specified administrative purposes. Banks may collect next-of-kin information as part of customer identification and record-keeping. The name helps identify someone connected to the customer, but it should not automatically be interpreted as an instruction to transfer the customer’s money to that person after death.

A beneficiary is someone designated to receive a benefit under a particular arrangement, such as a life insurance policy or a pension scheme. Whether that person receives the money directly, how the nomination can be changed, and what happens if the beneficiary dies first depend on the relevant policy, contract, and applicable law.

An heir is a person entitled to inherit under the applicable succession law.The identity of an heir may depend on whether the deceased left a valid will, the law governing the estate, and other relevant circumstances. Being a close relative does not, by itself, settle every question about inheritance.

An executor, meanwhile, is someone appointed in a will to administer the deceased person's estate. In Nigeria, an executor's appointment in the will is not necessarily the end of the process: a grant of probate ordinarily provides the legal authority to administer the estate.

These roles can overlap. A man's wife could be his next of kin, a beneficiary under his life insurance policy, a beneficiary under his will, and, if appointed, his executor. However, she does not acquire all of those roles simply because she occupies one of them.

The distinction is not merely a matter of interpretation. In Mr. Ifeanyi Ugadogwu v. NPF Pensions Ltd & Ors, the National Industrial Court of Nigeria examined a dispute involving pension benefits, the claimant's status as the deceased's recorded next of kin, and his authority, as holder of letters of administration, to administer the deceased's estate. The judgment recognised the claimant as the recorded next of kin but treated his valid letters of administration, and his status as personal representative, as the operative basis for receiving the deceased's pension and death benefits. It also recognised that the authority to receive and administer

estate-related benefits may be separate from the ultimate distribution of those benefits under the applicable succession law.

That distinction is particularly useful when discussing pensions and other regulated financial benefits. The person authorised to receive or administer an asset may not, merely by holding that authority, become its ultimate beneficial owner. The subsequent distribution of the asset may raise separate questions under the applicable succession law. In other words, who may collect or administer an asset and who is entitled to inherit it are related but distinct legal questions.

Does Naming Your Next of Kin Give Them Your Bank Balance?

In itself, no. A person does not automatically become the owner of a deceased customer's bank balance simply because their name appears in the next-of-kin field.

The distinction is not merely a technical one. If next-of-kin information automatically transferred ownership, a customer could effectively decide who inherits their bank savings by filling in one contact field, potentially without understanding that consequence or considering how it interacts with their will. That is not a safe assumption to make about an ordinary Nigerian bank account.

The Central Bank of Nigeria's anti-money laundering and counter-terrorism financing guidance addresses how banks verify executors and administrators dealing with the estate of a deceased customer. It states that, where payment is made from an established account in the deceased's name solely for winding up the estate, it is made in accordance with the grant of probate or letters of administration. This reflects the distinction between identifying a relative and establishing the legal authority to administer the estate.

The practical implication is that a next-of-kin record should not be treated as a substitute for estate planning. If you want a relative to inherit your assets, you need to understand the legal route through which that inheritance may occur. If you want someone to manage your estate after your death, that is a separate matter that should be addressed through the appropriate legal arrangements.

The exact requirements can vary by institution, product, and circumstance, so the prudent step is to ask your bank what its next-of-kin information is used for and what documentation it requires when an account holder dies.

What Happens to Your Bank Account When You Die?

When a bank is notified that a customer has died, the account does not simply become available to whichever relative presents themselves. The institution must follow the relevant legal and procedural requirements before releasing funds.

Where a person dies leaving a valid will, the estate may need to go through probate before it can be fully administered. The executor named in the will applies for a grant of probate, which authorises them to administer the estate. The executor may then deal with the assets within the scope of that authority, subject to the applicable law and the terms of the will.

Where someone dies without a valid will, they are generally described as having died intestate. The appropriate process will ordinarily involve an application for letters of administration, which authorise the appointed administrators to manage the estate.

The Lagos State Judiciary's Probate Registry expressly distinguishes between these two routes: probate authorises executors named in a will to administer the estate, while letters of administration authorise administrators where the deceased died intestate or the will is invalid. Other Nigerian jurisdictions have their own applicable procedures and requirements

This process explains why a surviving spouse may not be able to access a deceased person's savings immediately, even when the family knows the money was intended to support them. The bank must establish who has authority to deal with the account; a marriage certificate, a will, or proof of a family relationship may not, on its own, satisfy every requirement.

The practical consequences of these procedures have been documented in Nigeria. In a November 2022 investigation, Punch reported the case of Gbenga Omosoki, whose late father had reportedly left ₦500,000 in savings. Omosoki said a lawyer quoted ₦150,000 to process the necessary letters of administration, and that he had paid ₦90,000 before financial difficulties prevented him from completing the process. . The investigation also reported that another law firm quoted professional fees of ₦800,000, plus other charges, for what it described as a comparable application involving ₦500,000 in savings. These were reported individual experiences and quotations, not an official fee schedule or a nationwide average of probate costs.

The case illustrates a problem that a will alone may not eliminate: even where family members know that money exists and believe they should benefit from it, obtaining the legal authority to administer the estate can involve additional expense and procedural hurdles. The relevant costs and requirements vary by jurisdiction and case, but the financial burden can be especially significant where the deceased's savings are modest.

This also explains why preparing a will remains important. A valid will can identify the intended beneficiaries and appoint the person or persons who should administer the estate. However, it should not be confused with the grant of probate that may be needed to exercise that authority.

The distinction between entitlement and access is particularly important. Someone may ultimately be entitled to benefit from an estate without having the immediate legal authority to withdraw money from the deceased's account. The estate must be administered through the appropriate process.

Can a Beneficiary Designation Override a Will?

This is where the subject requires particular care, because rules commonly discussed in international personal-finance articles do not necessarily apply to Nigerian bank accounts or other Nigerian financial products.

In some jurisdictions, especially the United States, certain accounts have formal arrangements that allow assets to pass directly to a named beneficiary on the account holder's death. Payable-on-death bank accounts, transfer-on-death investment accounts, some retirement accounts, and life insurance policies may be governed by arrangements that determine who receives the assets independently of the will.

Where the relevant law recognises such an arrangement and the designation is valid, the asset may pass to the named beneficiary rather than being distributed under the will. That is the basis of the familiar advice that a valid beneficiary designation may override a will.

However, that statement cannot safely be applied to every financial asset in Nigeria.

For an ordinary Nigerian bank account, the next-of-kin field should not be treated as the equivalent of a United States payable-on-death arrangement. It does not automatically create a right to inherit the account balance. Nor should a person assume that every nomination attached to an insurance or pension product has precisely the same effect as a beneficiary designation under another country's law.

Nigeria has specific legal frameworks governing insurance, pensions, succession, and the administration of estates. The legal effect of a nomination must be assessed under the rules governing that particular product and the applicable Nigerian law.For example, section 57 of the Insurance Act 2003 concerns the identification of the person interested in a policy or the persons for whose benefit or on whose account it is made. That provision does not establish a universal rule for ordinary bank savings, nor does it mean that every nomination is legally identical.

The more accurate question is therefore not simply whether a beneficiary designation overrides a will. It is whether the particular asset is governed by a valid arrangement that determines its transfer independently of the estate, or whether it must be administered as part of the deceased person's estate.

That distinction matters because a person could otherwise read an article about United States retirement accounts, assume that the same rule applies to their Nigerian savings account, and make decisions based on a legal arrangement their account does not have.

Why Updating Your Will May Not Be Enough

Although the next-of-kin field does not automatically determine inheritance, keeping your financial records current still matters. The larger lesson is that estate planning involves different documents serving different purposes.

Imagine a man who opened his first bank account before marriage and listed his older brother as his next of kin. Several years later, he married, had children, and acquired property. He later wrote a will stating that his estate should be distributed among his wife and children.

His intentions have changed, but the bank's records have not.

The brother's name does not automatically give him ownership of the money. Nevertheless, the outdated record may create confusion about whom the bank should contact, particularly if the family does not understand what the record means. If the brother also believes that he is entitled to the money, the misunderstanding could become a family dispute.

The solution is not to assume that changing the next-of-kin field will transfer ownership of the account to the wife. It is to update the information for its proper purpose, ensure that the will reflects the person's wishes, and understand the process through which the estate will be administered.

The same principle applies to other financial arrangements. If you have life insurance or a pension with a nomination procedure, reviewing your will alone may not update the records held by the insurer or pension fund administrator. You need to check the relevant scheme's rules and follow its prescribed process for changing a nomination.

A change in marital status, the birth of a child, divorce, or the death of a named beneficiary can all be reasons to review the arrangements. However, the correct action depends on the document: a next-of-kin update, a change to an insurance nomination, and a revision to a will are not interchangeable tasks.

What Nigerians Should Check Before Assuming Their Affairs Are in Order

Start with the documents, not the labels. If your bank has recorded a next of kin, ask what the information is used for and what happens when an account holder dies. Do not assume that the name automatically creates an inheritance right.

If you own a life insurance policy, pension, or investment product, read the relevant nomination or beneficiary provisions. Confirm who is currently named, how changes must be made, and what the rules say about payment after death. Where the legal effect is unclear, ask the provider for an explanation and obtain independent legal advice where necessary.

Review your will separately. Ensure that it is properly prepared under the law that applies to you, that your intended beneficiaries are clearly identified, and that you have considered who should administer your estate. If you own assets in different Nigerian states or countries, or your family circumstances are complex, a qualified legal professional can help you understand the rules that apply.

It is also worth discussing the practical arrangements with the person or persons you have appointed to administer your estate. They should know where the will is kept and understand that the bank may require formal documentation, such as a grant of probate or letters of administration, before releasing funds. This does not mean giving someone unrestricted access to your finances while you are alive; rather, it means reducing the uncertainty they may face after your death.

Finally, do not assume that every asset follows the same route. Real property, ordinary bank savings, insurance proceeds, pension benefits, and jointly held assets may be subject to different rules. An estate plan that accounts for one asset may leave another unresolved.

The Real Question Is Not Just Whether You Have a Will

A will is an important document, but estate planning requires more than writing down who should receive your property. It requires understanding how those assets will be administered, which documents govern them and what legal authority your family may need to access them.

For Nigerians, the distinction between a next of kin and a beneficiary is especially important. The name recorded as next of kin on an ordinary bank account does not automatically make that person the owner of the money. Where the deceased's savings form part of the estate, the appropriate probate or administration process may be necessary before the bank can release them.

Formal beneficiary arrangements can exist for particular financial products, but their effect depends on the applicable Nigerian law and the terms of the arrangement. They should not be confused with the next-of-kin field, nor should they be assumed to override a will in every situation.

So, if you have already written your will, ask yourself one more question: Do you understand what will actually happen to each of your financial assets when you die?

The point of planning your estate is not only to make your wishes known.It is to ensure that the people you intend to protect are not left trying to interpret your paperwork, settle avoidable misunderstandings, or navigate an unfamiliar legal process at the very moment they are grieving.

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