

## Beneficiary 101

*Have you designed a person to inherit your retirement plan balance? Why does this matter?*

The rules of inheritance of your retirement plan can be a bit complicated, but the solution is simple – make sure you have someone listed on your account as the “designated beneficiary” – the individual you want to inherit your retirement savings upon your death.

Retirement plan balances **do not follow** the inheritance rules stated in your will or estate plan (if you have one). If you do not indicate who should inherit your plan balance, it can take weeks to years to be settled through a legal process.

### **WHY NAME A BENEFICIARY**

If you **do not list** the person you want to inherit your savings, your retirement account transfers to the “estate” and goes through “probate” – a process in which the probate officer determines who inherits the plan balance.

If you **do not update** your beneficiary on your retirement or HR platform after a major life event (such as a divorce or marriage), the person listed on the form will still inherit your savings. There is little that can be done to counteract the written beneficiary designation if your beneficiaries have not been updated – and if it is contested the process can take years to settle.

There may be some state specific rules regarding beneficiary designations so you should check with your HR department or plan provider for more information. There may also tax implications for the beneficiary that you want to consider.

In general:

### **Spouse Beneficiary Designation**

Generally, under federal law, if you are married your spouse is automatically your beneficiary if no one else is designated (this is not true for some retirement plans not subject to that law, so double check with your HR department if there is a concern). To designate someone other than your spouse, the spouse must sign a notarized document providing consent. If your spouse is your beneficiary, they will inherit your account and can take distributions from it or roll it over to their account.

**Non-Spouse Beneficiary Designation**

If you are married and wish to name someone other than your spouse as your beneficiary, you need your spouse's consent (notarized or official document). If not married, you can designate anyone you wish, including minor children. Rules for non-spouse beneficiaries are a bit different – some may need to empty the account within 10 years whereas other (such as minor children) have longer. Consult an advisor or HR staff for specific considerations here.

**Multiple Beneficiary Designations**

You can also designate more than one beneficiary. Primary beneficiaries are the first individuals who would receive the funds. Contingent beneficiaries would receive the funds if the primary beneficiary had passed away or could not be located. If you designate multiple primary or contingent beneficiaries, you allocate a percentage to each that in total adds up to 100% - you can leave 50% to one person and 50% to another.

**Changing Beneficiaries**

You can change your beneficiary designations at any time. A good time to review your beneficiary designations is during annual open enrollment or after a major life event – marriage, divorce, addition of a child, etc.

**Beneficiaries for Other Benefits**

Don't forget to designate beneficiaries for any life insurance, other retirement accounts that you may have, and your HSA if you have one. Each account must have their own beneficiary named to avoid probate.

**ACTION STEP**

Remember – naming beneficiaries ensures that your money is distributed the way you want, and not determined by a probate officer. The beneficiary rules can be complex with tax implications – consult an estate planning professional or an expert tax advisor can best assist with financial questions. But the most important task for you is to **ACTIVELY designate beneficiaries for ALL your accounts – and remember to update them after a major life event.**