

Name a Beneficiary for Your Retirement Account

By Sandy Birdsong, CPA, AIF®

Naming a beneficiary for your retirement account may seem like a hassle. However, taking this simple step today can truly help your loved ones in the future.

Here's why. If you fail to name a beneficiary and you die, federal and state laws – along with default retirement plan rules – will determine who will receive the payout from your retirement account. These requirements often do not address specific personal needs and situations.

A proper beneficiary designation helps keep your estate out of probate court, making payouts simpler, faster and less expensive for your heirs. Your beneficiary designation supersedes any requests made in your will and is not subject to oversight by a probate court. Your heirs will benefit from quicker, less complicated access to the funds you've left them.

FREQUENTLY ASKED QUESTIONS

Let's look at answers to some common questions about naming a beneficiary for your retirement account.

Q1: Can I name a beneficiary other than my spouse?

A1: If you're married, your spouse will generally be your default primary beneficiary. With written consent from your spouse, you may name someone other than your spouse as a primary beneficiary. Spousal consent rules also apply to same-sex marriages.

Q2: Can I name a minor as my beneficiary?

A2: Yes, you may name a minor child as your beneficiary. If you do so, pay close attention to any specific state guidelines regarding the payout of benefits. In many states, benefits will be paid to the child's guardian, who will have fiduciary responsibility for the money until the child reaches adult age.

Q3: Can I name a trust as my beneficiary?

A3: Yes, you may set up a trust to handle the payout from a retirement account after your death. For this option, we recommend that you consult with an estate planning professional to finalize the details and help your beneficiary avoid any unintended complications.

Q4: Can I name my estate, a charity, or someone who is not a U.S. citizen as my beneficiary?

A4: You can name as beneficiary your estate (in your will), charitable organizations, and/or someone who is not a U.S. citizen and does not have a Social Security number. Once again, we recommend that you consult with an estate planning professional in these cases to avoid any unintended complications. If you do not properly name your beneficiary in one of these cases, your estate could end up being adjudicated in probate court after all.

Q5: What about same-sex domestic partners?

A5: While you may name a same-sex domestic partner as your beneficiary, we once again recommend that you consult an expert in estate planning to ensure that all legal requirements are addressed appropriately. The recent Supreme Court ruling related to same-sex marriage could impact you.

KEEPING YOU INFORMED



Next Steps: A Checklist To Help You Take This Important Step

Keep this checklist on hand to guide you as you name or update your beneficiary designations:

- Set aside time at least once a year to review your beneficiary elections. Significant life events like a change in your marital status (getting married or divorced), or the birth or adoption of a child may change your choice of beneficiary.
- When completing a beneficiary form, remember to designate a percentage next to the name of each beneficiary.
- Name a secondary beneficiary, the person you would want to receive your benefit if your primary beneficiary does not survive you.
- If you have a same-sex spouse, review your beneficiary since spousal consent rules will now apply.
- If you have a same-sex domestic partner, check out the common law marriage laws for your state. Appropriate legal counsel can guide you regarding applicable state laws.
- Consider consulting with a certified estate planner who is licensed in your state.
- Review your beneficiary designations for any life insurance coverage, too.

