Good Hands℠ Retirement

Plan

Keeping Beneficiary Designations Up to Date

If you participate in a retirement plan at work, you named someone as your beneficiary when you joined your employer's plan. What if you no longer want that person to be your beneficiary? Can you make a change?

The answer is yes. As a matter of fact, it's a good idea to review your beneficiary designation every once in a while, especially if there's been a significant change in your life. If you marry, get divorced, lose a spouse, remarry, or have children, you may want to designate someone different to receive the assets in your plan. Just keep in mind that there may be legal restrictions and financial issues to consider before changing your beneficiary.

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Without a valid beneficiary designation, your plan assets may be paid to your estate (especially if you're not married). As a result, they'd be subject to probate — and that can mean significant costs and delays. When all is said and done, your plan money may not be distributed to the person(s) you intended.

Obtaining Spousal Consent

Many plans may specify that retirement benefits will be paid to the participant's surviving spouse if the participant dies first. If that is the case and you decide that you want someone else to be your beneficiary, your spouse will need to approve the change by signing a consent form waiving his or her rights to your plan assets. Without that signed consent, your spouse will get all of your account assets, even if you intended otherwise.

Most Plans Won't Transfer Money Directly to Minors

If you decide that you want your children to receive your plan assets, you may need to make additional arrangements if they're still minors. Plan assets generally pass directly to the person named as beneficiary without having to go through the courts. But most plans won't transfer assets directly to minors. So a court will have to appoint a trustee or guardian to receive the money on your children's behalf. This can be a lengthy legal

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process; so your money may not be available to provide financial support for your children for a while.

One way to avoid these legal delays and provide financial support for your children is to name a trust as the beneficiary of your retirement account. You can set up a trust with your minor children as beneficiaries and appoint a person or institution to act as trustee to carry out your instructions.

This strategy isn't limited to people with a lot of money or other assets. Trusts are commonly used to provide financial support for children. However, a trust must meet stringent IRS requirements to qualify as your designated plan beneficiary. Your tax advisor can discuss the matter with you.

Checking Life Insurance Beneficiary Designations

While you are thinking about it, your group life plan and individual life contracts work similarly. It's a good idea to periodically review and update your beneficiary designation. If you decide to create a trust, you can have the death benefit paid to the trust.

Your Will Won't Change Your Beneficiary

A will generally does not affect the way retirement plan assets or life insurance proceeds are distributed. So, even if your will states that someone else should inherit all your assets, your plan benefits and insurance proceeds will automatically pass to your designated beneficiaries.

Take time to review your retirement account and insurance beneficiary designations every so often. As the years pass, relationships may change or a beneficiary may die. Checking your designations frequently will help ensure that your retirement account assets and life insurance proceeds will be distributed as you wish.

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