Any Questions?

Q. *I want to change the beneficiary of my retirement plan account. Is that possible?*

A. When you joined your employer's retirement savings plan, you had to choose a beneficiary who would receive your plan assets if you die. You probably picked the person or persons who made the most sense *at that time*. But circumstances in your life may have changed since you selected a beneficiary, and now you want to choose a different beneficiary.

It may be possible for you to change your beneficiary designation. However, there may be legal restrictions to consider. You also should take into account the impact changing your beneficiary designation will have on your overall financial and estate planning. Here's what to consider when choosing your plan beneficiary.

First Comes Marriage

If you recently married, you may want to name your spouse as beneficiary so that your spouse would have access to your savings if you die. In fact, many retirement plans require that you name your spouse as the primary beneficiary. If you decide you don't want your spouse to be your primary beneficiary, your spouse will have to sign a written consent form waiving his or her rights to your plan assets.

Then Come Children

It's natural to want to provide for your children, so you may want to choose them to receive your plan assets. If they're already adults, choosing your kids is fairly simple. If they're still minors when you die, however, it may be more difficult. Most retirement plans won't transfer plan assets directly to a minor. Instead, a court will get involved and appoint a trustee or guardian to receive the money on your children's behalf. This legal process could take some time, during which your plan assets won't be available to provide financial support to your children. Plus, when there is a court-appointed financial guardian, there are commonly investment restrictions.

You can avoid all these complications by naming a trust as the primary beneficiary of your plan assets and your minor children as the primary beneficiaries of the trust. Then you can select the trustee who will carry out your instructions. The trustee could be a family member, a friend, or a financial institution. To qualify as your designated plan beneficiary, your trust must meet strict IRS guidelines. Seek the guidance of your financial advisor and attorney before setting up a trust.

Other Options

If you're unmarried and don't have any children, you probably have a number of other people you could choose as your beneficiary. You may want to consider your parents, siblings, nieces, nephews, or even close friends. If you get married and/or have children later on, you can then change your beneficiary designation.

Remember to Review

You should review who you've chosen as beneficiary of your plan account periodically. Changes in your life may affect who you want to receive your retirement plan assets. Getting married, having children, and getting a divorce are life events that should trigger a beneficiary review.

Keep in mind that writing or changing a will generally won't affect who receives your retirement plan assets. For example, let's assume that in your will you specify that one person is to inherit all your assets. If that person isn't also named as the beneficiary of your retirement plan account, he or she generally won't receive the money in your plan. Instead, it typically will automatically pass to the person you've designated as your plan beneficiary. So, remember to review your plan beneficiary designation periodically so that the person you want receives your plan assets if something happens to you.