

Review Retirement Plan Beneficiary Designations

The proper use of beneficiary designations can help accomplish your estate planning goals. You should be especially careful when designating beneficiaries for employee benefit plans.

In General

The person you name as the beneficiary of your retirement plan account will typically receive the money in your account if you die. Even if you have a will and have selected someone to inherit all of your assets, it generally won't control the disposition of your account assets. Instead, that money will typically pass to the person you have designated as your account beneficiary.

Married . . . and/or Have Children

Many employer qualified plans require that you name your spouse as your primary beneficiary. If you don't want your spouse to be your primary beneficiary, your spouse would have to sign a written consent form waiving his or her rights to your plan assets.

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. To avoid these complications, name a trust as the beneficiary of any plan assets that you intend to pass to your minor children — and name your children as the beneficiaries of the trust.

Update Your Designations

Failing to update your beneficiary designations can result in your assets going to someone you didn't intend. For example, ex-spouses who are designated as beneficiaries may receive retirement plan assets upon their former spouse's death. Don't assume that divorce would automatically disqualify your ex-spouse from receiving the benefits. Review your beneficiary designations after divorce, remarriage, death of a spouse, or another life-changing event.