



Keeping Your Retirement Plan Beneficiary Up to Date

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When was the last time you reviewed your retirement account beneficiary election? Many people forget to update their beneficiary after important life events such as marriage or divorce. However, it is very important to ensure your retirement beneficiary information is current. Greenleaf Trust makes updating your beneficiary information easy by offering an online option to review and update.

Many people believe that having an up to date Will ensures their finances will be handled according to their wishes in the event of their death. This is not the case with retirement accounts. The beneficiary designation for your retirement account is legally binding and supersedes your Will, which means that if you made a change to your Will but forgot to update your retirement account beneficiary, the retirement asset will go to the person last named as your retirement account beneficiary, even if this contradicts the new information outlined in your Will.

So, who is best to name as your retirement account beneficiary? If you are married, federal law requires that your spouse be named as the 100% “Primary” beneficiary on your retirement account. The “Primary” beneficiary is the person who will inherit your benefit first. You also have the option to name a “Contingent” beneficiary on your account. If the “Primary” beneficiary is no longer surviving or if they passed with you, your “Contingent” beneficiary would then inherit the benefit. If you would like to name someone other than your spouse as the primary beneficiary, a Spousal Consent must be completed. If you elect not to name anyone as the beneficiary on your retirement account and you are unmarried, your retirement assets will have to go through probate court upon your passing and state law will likely determine who will receive the benefit, which may not reflect your personal wishes.

The majority of individuals choose to name a person or

persons as their retirement account beneficiary, which is the easiest way to ensure that your benefit goes to those you choose. However, it is also possible to name a non-person as a beneficiary, such as a trust, charity or institution. Many people choose to name a trust as either a primary or a contingent beneficiary on their retirement accounts. Naming a trust as a beneficiary can be a great way to ensure that your retirement benefit stays out of probate and that your wishes are followed; however, there can be a few caveats to when this is most advantageous. Namely, if you are currently married and trust your spouse to handle your retirement account benefit according to your wishes after your death, it is more beneficial to name your spouse as the primary beneficiary and name the trust as a contingent beneficiary, as this will give your spouse more options for claiming the benefit in a tax-advantaged manner, as well as providing more immediate access to the funds.

If you are considering leaving your retirement benefit to a minor child, it is recommended to name the financial guardian of the child or a trust as the beneficiary, as minor children cannot directly inherit retirement plan assets. This will help to ensure that your benefit does not end up in probate, allowing the state to decide who should be awarded the benefit for the good of the child. This can also be advisable if you have a special needs child who is old enough to inherit a benefit, but may not be able to handle their own financial affairs.

There are many important considerations to make when choosing the beneficiaries for your retirement account. The Participant Services Team at Greenleaf Trust is happy to assist with any questions you may have when establishing a beneficiary for your account for the first time, or when considering changes to your current beneficiary elections. You may also wish to consult with your attorney on this very important matter. 