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*(Problems Solved.)*

## The Importance of Beneficiary Designations

Retirement accounts are an important part of your estate. It only takes a few minutes to complete and sign the beneficiary designation forms for your accounts. You may not realize that your retirement and life insurance assets will pass on to the beneficiaries named on such forms, not to the heirs named in your will.

Often your retirement nest egg is one of your largest assets. Take time to review your beneficiaries every few years.

### Frequently Asked Questions about Beneficiary Designations

#### 1. I have a current will — isn't that enough?

No. Regardless of what your will provides, your retirement accounts will pass to the beneficiaries designated on each account – or perhaps according to the default provisions of your retirement plan. Time may have passed, your life circumstances may have changed, and your designated beneficiaries may no longer reflect your current wishes. If you neglect to update your beneficiary forms, your retirement money may not get distributed the way you intend.

#### 2. Do I need contingent beneficiaries?

Yes. It's best to name a contingent beneficiary. If you haven't named a contingent beneficiary and your primary beneficiary dies before you, the assets will be distributed according to the rules in your retirement plan or IRA document upon your death.

#### 3. Can I name a beneficiary who is not my spouse?

Yes, but some plans require your spouse's consent to do so. Keep in mind that spousal and non-spousal beneficiaries may have different options available to them when they inherit your retirement assets.

#### 4. Can I name a trust as beneficiary?

Yes, and naming a trust as a beneficiary can give you flexibility for overseeing the distribution of your retirement assets. However, BE CAREFUL! Before naming a trust as a beneficiary for a qualified retirement account, talk to your attorney and tax advisor because naming a trust as a

beneficiary may impact how mandatory minimum distributions are to be taken from your retirement assets.

#### 5. Are there any problems with naming a charity as my beneficiary?

This is a great idea for qualified retirement accounts because you can avoid income taxes. Be as clear as possible when naming a charity as a beneficiary, ensuring that the name and address are correct and distinguishing between national organizations and local chapters.

#### 6. Can a divorce decree void my beneficiary designation in a life insurance policy or qualified retirement account?

In Ohio, yes. For life insurance policies, the general rule is the beneficiary named under the policy will receive the proceeds of that policy. But in Ohio, the law creates a presumption that divorce revokes an ex-spouse as a beneficiary. For qualified retirement accounts, unless the divorce decree provides otherwise, the general rule is that an ex-spouse will receive the funds in the qualified retirement account even after a divorce decree has been entered.

### Common Beneficiary Designation Mistakes to Avoid

- Failing to review beneficiary designations periodically
- Failing to name a contingent beneficiary
- Not identifying a new beneficiary after the death of a primary beneficiary
- Forgetting to remove an ex-spouse after divorce and/or remarriage
- Neglecting to complete a separate beneficiary form for each plan or arrangement, and/or mistakenly assuming that a separate beneficiary can be designated for individual accounts within a plan or arrangement
- Failing to update beneficiary designations after the birth or adoption of a child
- Young, single adults naming their parents as beneficiaries, then forgetting to update the forms after they marry or have children and/or their parents die
- Naming the owner's estate as beneficiary without guidance from an estate planning attorney



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