



At a glance

If you don't designate beneficiaries for your 401(k), IRA and life insurance policies, the assets may be tied up in probate court for a long time.

For qualified plans, you must name your spouse as primary beneficiary unless he or she gives written authorization for you to do otherwise.

You may name as many beneficiaries as you wish.

Review your beneficiary designations after a major life change.

Your Beneficiaries

Filling in the heir space

For most people, filling in the names of beneficiaries for retirement assets and life insurance policies is an “autopilot” task. The primary beneficiary is spouse; secondary is a child or children. Others simply leave the beneficiary designation blank. And few of us think about updating beneficiaries once they're designated.

But designating – and updating – your beneficiaries is key to estate planning because it affects both the dispersal of your assets after your death and the quality of life for your heirs.

Why is it important to name beneficiaries?

When you designate a beneficiary for your 401(k), IRA or life insurance policy, the money in those accounts becomes immediately available to him or her upon your death. If you do not name a beneficiary, those assets probably will go into your estate. A probate court would then dispose of the assets in your estate according to your will. However, the probate process can take months, sometimes years – depriving your heirs of access to your assets until the estate is settled.

Doesn't my will override everything else, including named beneficiaries?

On the contrary, if you have a named beneficiary, that designation overrides your will. That's why it's vitally important to keep beneficiaries updated for all of your assets.

Am I required to name my spouse as my beneficiary?

It depends. Most insurance policies and IRAs don't require you to name your spouse as your primary beneficiary. However, most qualified plans require your spouse to sign a waiver if you choose not to name him or her as your primary beneficiary. If you live in a community property state, your spouse may have rights to the assets in your IRA regardless of whether or not he or she is named as primary beneficiary. Check with your estate planning advisor for more information.

What is the difference between naming my spouse or a nonspouse as my primary beneficiary?

In general, your spouse has more flexibility than a nonspouse. For example, your spouse can roll over your retirement assets to a qualified plan or IRA in his or her own name, thereby delaying required minimum distributions until age 70½.

Nonspouse beneficiaries aren't permitted to do this, but if the assets are from a qualified plan, they may be eligible to directly roll them into an inherited IRA. If the rollover meets certain conditions, this may allow them to take distributions over a number of years, thereby spreading out the tax burden rather than incurring it all at once.

How many beneficiaries can I name?

Many people think they can name only two beneficiaries because two lines appear on most designation forms. But there is no limit to the number of primary or secondary beneficiaries that you can name for any plan. If you run out of room on your beneficiary form, ask if you can attach a sheet of paper with additional designations.

Can I name my minor children as beneficiaries?

Yes, but keep in mind that if they are minors when you die, someone will need to be named to manage the assets until the children reach the age of majority. It is possible to set up a trust in your minor children's names and then designate the trust as beneficiary. However, creating and dealing with trusts can be complicated. Your estate planning advisor can help you make decisions about naming your minor children as beneficiaries.

How often should I review my beneficiaries?

Whenever you experience a major life event – marriage, divorce, the birth or adoption of a child, or the death or disability of a loved one – it's a good idea to review your beneficiary designations.

Talk to your financial advisor

One of the best ways to help reach your goal is to partner with a strong team: a financial advisor who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial advisor about how an investment plan and Invesco Aim can help you pursue your financial goals.

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Consider the investment objectives, risks and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.

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