



Your Beneficiaries

Filling in the heir space

For most people, filling in beneficiary names for retirement assets and life insurance policies is an autopilot task. The primary beneficiary is your 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 asset dispersal after your death and your heirs' quality of life.

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 the 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.

Why is it important to name beneficiaries?

When you designate beneficiaries for your 401(k), IRA or life insurance policy, the money in those accounts immediately becomes available to them upon your death. If you don't name beneficiaries, those assets will probably go into your estate. A probate court would then distribute the assets in your estate according to your will. However, the probate process can take months, sometimes years – depriving your heirs access to your assets until the estate settles.

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

On the contrary, if you have named beneficiaries, 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. But most qualified plans, such as 401(k)s, 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 whether he or she is named as primary beneficiary or not. 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 name, thereby delaying required minimum distributions until age 70½.

Nonspouse beneficiaries aren't permitted to make that same rollover. However, if the assets are from a qualified plan, they may be eligible to directly roll them into an inherited IRA. Nonspouse beneficiaries may be able to take distributions over a number of years if the rollover meets certain conditions, which will help them spread out the tax burden.

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's no limit to the number of primary or secondary beneficiaries 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. You could also set up a trust in your minor children's names and then designate the trust as beneficiary. Just keep in mind that 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

Your sights are set on a financial goal – a college degree, new home or secure retirement. 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 can help you pursue your financial goals.

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Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

This information is not intended as legal advice. Investors should consult an attorney.