

Make Sure Your Plan Beneficiary Choices Are Up to Date

By Littman Krooks LLP | 01/25/07

Many people periodically update their wills or other estate plans, but don't remember to update who will receive distributions from their retirement plans (such as IRAs and 401(k)s) upon their deaths. Every year you should review your entire estate plan, and the review should include retirement plan "beneficiary designations" to make sure they aren't outdated. The following are some tips for naming a retirement plan beneficiary:

- **It is important to name a beneficiary.** Do not assume that your retirement plan will be distributed according to your will. If you don't name a beneficiary, the distribution of benefits may be controlled by state or federal law or according to your particular retirement plan. Some plans automatically distribute money to a spouse or children. While others may leave it to the retirement plan holder's estate, this could have negative tax consequences. The only way to control where the money goes is to name a beneficiary.
- **You may want to designate a trust as your beneficiary.** If your estate is more than the current estate tax exclusion (\$2 million for 2007 and 2008) and a large portion of it consists of retirement plans, it may make sense to direct that the plans be payable to a trust rather than to the surviving spouse. The trust must be properly drafted to avoid tax consequences, so [consult with an attorney](#) before doing this. If you want your money to go into a trust for your children, be sure to designate the trust as the beneficiary. If you name your children, the money will go directly to them.
- **If you have major life changes, be sure to keep your retirement plan updated.** If you get married or have children, you may want to change your beneficiary. Also, if your spouse was your beneficiary and you get divorced, your former spouse will still be the beneficiary -- divorce does not automatically remove an ex-spouse as beneficiary. If you wish to remove a former spouse from the plan, you will have to fill out a new beneficiary designation form.
- **Even if you don't have big changes, you should review your beneficiary designation periodically.** Your beneficiary may not be who you remembered it to be or it may be outdated. For example, if you named a charity as beneficiary, you will want to make sure the charity still exists. A Change of Beneficiary form can often be downloaded from the Web site of the firm holding the plan assets.

For more on retirement planning, [click here](#).