

## New Year's Resolution: Update Your Beneficiary Designations



Dale R. Vlasek | Monday, January 5, 2015

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As the year of 2014 turns into 2015, it is the traditional time to make New Year's resolutions. One resolution that might serve you and your retirement plan well is to update your beneficiary designations.

Simplistically, ERISA mandates that one's spouse is the required beneficiary of at least one-half and usually all of one's qualified retirement plan benefits. A participant may designate other persons or trusts as the beneficiary, provided the spouse formally consents.

It is common for people to never complete a designation, but they rather rely on the terms of the plan to control a death distribution. Or if they do fill out a designation, many people forget to update it as circumstances change.

It can be shocking by how troublesome and expensive it can be if beneficiary designation forms either do not exist, or they are outdated in the sense that they name people whom the participant would not rather have received the benefit.

A plan is required to operate in accordance with its terms. Those terms include the terms of a beneficiary designation. A participant may have completed a beneficiary designation when he or she entered the plan, but personal circumstances may have changed. For example, the participant may have gotten divorced or remarried. If these circumstances are not considered and updated to reflect the preferred

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beneficiary, on the participant's death the benefit payment may not go to where the participant wished, or may require a beneficiary to open a probate estate to transfer the benefit.

It is recommended to resolve to check your own beneficiary designations in order to confirm they accurately reflect your intent. If you manage your company's retirement plan, resolve to encourage your participants to complete their beneficiary designation forms if they have not done so, or verify that they are accurate.

While these resolutions may not help you lose the extra weight we all seem to attract over the holiday season, they will give you some peace of mind and perhaps help avoid stress when operating your retirement plan.

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