

# Eight Tips for Naming Beneficiaries

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Have you designated beneficiaries for all your retirement plans, life insurance policies and other assets? It is often not as cut-and-dried as it first seems. Here are eight suggestions to consider.

**1. Do not leave the beneficiary lines blank.** If you don't name specific beneficiaries for your accounts, or if you name your estate as the beneficiary, your heirs will likely end up in probate court. This can be both time-consuming and costly. If assets go to your estate, they are subject to the reach of creditors. A better option is to choose individual beneficiaries and list them on the forms.

**2. Use trusts for beneficiaries who are minors.** In some states, minors face restrictions until they turn 18 or 21. If you designate a minor as a beneficiary, a court will appoint a guardian to manage the funds until the child reaches the age of majority. Alternatively, you might establish a trust to handle the funds and name the trust as the beneficiary. Thus, you maintain control now and provide asset protection for minors when you are gone.

**3. Understand the key rules.** Other than your spouse, beneficiary designations on retirement accounts and insurance contracts will override your will. If you want someone besides your spouse to inherit assets, your spouse must sign a written waiver. Without the waiver, a non-spouse beneficiary designation will be invalid upon your death.

**4. Inform your beneficiaries.** Do not keep your designations a secret. Also, let the people whom you have designated as beneficiaries know where to find important documents and contact information for your professional advisers. On the other end, make sure your advisers have the vital contact information.

**5. Double-check names and numbers.** Make sure they are spelled correctly and that figures are accurate. This is particularly important when listing Social Security numbers and telephone numbers and addresses.

**6. Use percentages instead of dollar amounts.** For example, suppose you have an IRA worth \$100,000, and you designate a nephew as beneficiary of \$75,000 of that amount. If the IRA drops in value to \$75,000 or below at your death, your nephew gets the entire amount—any remainder

beneficiaries receive zero. Perhaps a better way to meet your objectives is to give your nephew 75% of the overall account value.

**7. Name contingent beneficiaries.** If your primary beneficiary has died and you have not named a replacement, the assets would go to your contingent (or “secondary”) beneficiaries. Without a contingent beneficiary, the assets are transferred to your estate (see above). Avoid potential problems by indicating contingent beneficiaries in appropriate places.

**8. Consider naming charitable beneficiaries for IRAs and annuities that will be taxable income to the beneficiary.** The charity will not be subject to the tax and will get more from the account than a non-charitable beneficiary will on an after-tax basis.

Don't stuff all the paperwork in a desk or drawer somewhere and forget about it. Make the proper adjustments, when warranted. And review your beneficiary designations periodically to ensure that they remain up-to-date.

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