



CREDIT UNION TRUST – ARTICLE 4 IRA BENEFICIARY DESIGNATIONS

If you're like most, you have a variety of retirement planning investments and assets. One of the most prominent ones and often the one held longest, is an IRA (individual retirement account). A very important part of an IRA are the beneficiary designations but despite their importance, they are usually at the bottom of the IRA planning to-do list.

IRA beneficiary designations specify who should receive your retirement account funds if you are to pass away. But there's much more to it than that.

When an IRA is opened, it is often the result of a rollover from a company retirement account such as a 401k. A rollover is a very common transaction where funds are transferred from a 401k or other qualified retirement plan into an IRA. This process is done without resulting in taxes or penalties that would otherwise be levied on a retirement account distribution. Whatever the reason for establishing an IRA, it is important to give serious consideration to your IRA beneficiary designations.

Primary vs contingent beneficiaries:

It's important to pay attention to whether you're entering primary beneficiary information or contingent. A **primary** beneficiary is who you want the funds to go to first. Think of the primary beneficiary as being the first in line. The only way the primary beneficiary loses their spot in line is if they pass away. This is where the **contingent** designation comes in. The contingent is second in line after the primary. If the primary beneficiary passes away *before* the account owner, the contingent beneficiary becomes the primary.

Adding multiple beneficiaries:

Many financial institutions will allow you to make multiple IRA beneficiary designations. However, in Michigan, if you are married your spouse must sign off giving their approval and recognizing that they are not the 100% primary beneficiary.

Naming minors as beneficiaries:

Naming minors as beneficiaries is problematic. A minor is not able to make investment and financial decisions on their own. Courts will often require that a custodian be named to administer the IRA assets on behalf of the minor until they reach age 18. If you haven't provided specific instructions via some basic estate planning designating a legal guardian for the minor beneficiary, the court will pick one for you -- and, you might not like the choice.

Wills and trusts don't cover your IRA and other retirement accounts:

IRA's transfer to the beneficiary by operation of law. That means the person named on the IRA beneficiary form receives the money, regardless of what your will or trust says. If you would like the terms of your revocable living trust to control how the IRA assets are distributed, you must name your trust as beneficiary of your IRA.

Credit Union Trust was established by Alpena Alcona Area Credit Union to serve the needs of our members by providing these and other related services at the critical times in life

when they're needed. Credit Union Trust has an experienced team of professionals that are here to help with all such trust and family planning needs for today and future generations. If you would like to learn more or speak to an Alpena Alcona Area Credit Union Trust advisor, please contact Credit Union Trust at (877)-730-6109.