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401K Beneficiary Designation

Dear Participant:

When was the last time that you reviewed and updated the beneficiary designation for your retirement plan assets? Now may be a good time to review your current beneficiary designation, and make any necessary changes.

Below is an excerpt of an article regarding beneficiary designations and retirement plans, published by S&P Capital IQ Financial Communications:

The law requires that a spouse be the primary beneficiary of a 401(k) or a profit-sharing account unless he/she waives that right in writing. A waiver may make sense in a second marriage if, for instance, a new spouse is already financially set or if children from a first marriage are more likely to need the money.

Single people can name whomever they choose as beneficiaries of retirement accounts, and non-spouse beneficiaries are now eligible for a tax-free transfer to an IRA.

Also, the IRS has issued regulations that dramatically simplify the way certain distributions affect IRA owners and their beneficiaries. Consult your tax advisor on how these rule changes may affect your situation.

Naming Children May Not Be Best

Because insurance companies, pension plans and retirement accounts may not pay death benefits to minors, when children are factored into the estate planning mix, a guardian, trust or trustee should be named beneficiary to ensure competent management of the proceeds. By naming a children's trust as a beneficiary, for example, the proceeds could be invested and managed by a competent trustee (a person or institution) you choose. A revocable living trust could also be named as a beneficiary, which would keep the proceeds out of probate.

To summarize, when naming beneficiaries, consider:

- *The ability of the beneficiary to manage assets. Perhaps a trust set up in the person's name would be better than a direct transfer.*
- *Naming contingent beneficiaries. Should something happen to your primary beneficiary, the contingent beneficiary would receive your assets.*
- *The age of the beneficiary. Many policies and plans will not directly transfer assets to minors until a trustee or guardian is approved by a court.*
- *Employer-sponsored retirement plans. Unless waived by the spouse in writing, the law requires a spouse to be the primary beneficiary of the account.*

Keep Your Plan Up-to-Date

After completing estate plans and wills, it is important to review and adjust beneficiary designations as needed to ensure that your estate plan accurately reflects your intentions. Remember, outdated beneficiary designations (e.g., ex-spouses) could misdirect the intended flow of an entire estate plan.

As is always the case with estate planning, consult with qualified professionals concerning your particular situation in order to ensure that your beneficiary designations are in tune with your goals.

If you have specific questions about your retirement account, your investment allocation, or your beneficiary designation, please call Scott Griffin at 319-739-1429 or email him at sgriffin@truenorthcompanies.com. You can also call Jeanne Heil at 319-739-1327 or email her at jheil@truenorthcompanies.com.