



Summit Group Retirement Planners, Inc.

Retirement in America Article #22: Importance of keeping Beneficiaries Up to Date

As a retirement plan specialist meeting with employers on a routine basis we discuss fiduciary responsibility, investment monitoring, employee education strategies and results. When I attend conferences for retirement plan advisors around the country, we focus on reviewing ways to minimize fiduciary exposure for plan sponsors, improving financial literacy for the employees, and creating better participant outcomes for the plan.

These are all important items, but sometimes certain administrative items, like maintaining and updating beneficiary files are overlooked and taken for granted. No one likes to think of our own mortality, however it is inevitable. By planning today for tomorrow's future, we can reduce the stress felt by families and non-family beneficiaries that lose a loved one by ensuring a smooth transition with respect to their beneficiary funds.

In my opinion, it is crucial for each retirement plan committee to understand who is responsible for maintaining the beneficiary files. For example, is the Recordkeeper, Third Party Administrator, or Plan Sponsor maintaining the beneficiary forms on file? Are they available electronically and also stored in paper form in file cabinets? If they are maintained electronically, does the party hosting these forms have the proper cyber security systems and protocols in place to fend off potential security breaches? If paper copies are maintained in a file cabinet, are the files locked with a combination or key? If so, who has access to the combination or key?

Without sounding overly paranoid, in this ever changing world where data security is important, these are real concerns that should be addressed with a prudent process that is thoroughly documented. I also encourage employers to have their employees sit down with their retirement plan specialist on a regular basis to review their beneficiary forms to ensure they are accurate and up to date. Employees should also consider notifying their designated beneficiaries and provide those beneficiaries with the contact information for their plan sponsor and/or plan administrator to obtain their beneficiary funds in the event of the employees' death.

IRS Guidelines on Retirement Plan Beneficiaries

When a plan participant dies, the beneficiary should contact the deceased employees' employer or plan administrator to make a claim for any available benefits. The plan typically requests a copy of the death certificate.

Depending upon the retirement plan type, and whether the participant died before or after retirement payments had started, and with respect to a spouse as the beneficiary, the plan will notify that surviving spouse about the amount and form of benefits, whether death payments from the plan may be rolled over into another retirement plan, and if a rollover is possible, the method and time period in which the rollover must be made.

Summit Group Retirement Planners, Inc. - Key Takeaways

As I stated earlier, having a sound fiduciary process for maintaining up to date beneficiary files is extremely important for retirement plans, their committees, and their employee's beneficiaries. Make sure you take the time to review your beneficiary files on a regular basis and document these reviews as a best fiduciary practice.

Further Reading

For further information, please contact a Summit Group Retirement Planners, Inc. Representative: 267-433-1051 or Dfiorenza@scretirementplanners.com. Summit Group Retirement Planners, Inc. specializes on collaborating with employers on the design, installation, and ongoing servicing needs of their retirement programs.

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References

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-death>

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