FRANKLIN TEMPLETON

What you need to know about beneficiary designations



Not FDIC Insured | No Bank Guarantee | May Lose Value

Why you need to update your beneficiaries

Accounts that carry a beneficiary designation offer one of the simplest and most direct ways to efficiently get assets into the hands of loved ones after your death—*but only if you have completed the paperwork properly and the information is up-to-date.*

To ensure that your beneficiary designations meet your specific needs and address any requirements of your state law, you should obtain guidance from your attorney or estate planning professional when deciding upon the appropriate designations.

Your accounts that have beneficiaries are probably more numerous than you realize. They include IRAs, company-sponsored retirement plans, life insurance policies, Coverdell Education Savings Accounts and annuities, as well as "in trust for" and "pay on death" accounts. In many cases, these accounts will make up much—if not most—of your estate.

Designating a beneficiary typically avoids the need for the assets to pass through the probate process. It is essential for you to review and update the beneficiary designations on all of your accounts on a regular basis and whenever you have a major change in your personal circumstances such as a divorce, marriage, adoption, the death of a spouse or birth of a child.

If you were married when you opened these accounts, you probably named your spouse as your beneficiary. If you were unmarried at the time, you might have named a parent or sibling. Since then, years may have passed without further thought about whether your initial beneficiary designations are still appropriate.

Unless you change the beneficiaries named on your accounts, your assets could pass to beneficiaries who are no longer appropriate—an ex-spouse, for instance.



Use a contingent beneficiary as back-up

When reviewing the primary beneficiary(ies) of your accounts, make sure you have also named a contingent beneficiary(ies). Contingent beneficiaries are the individuals or institutions who will receive your assets if your primary beneficiary(ies) predeceased you or disclaimed part or all of your account. (Disclaiming is an estate planning strategy that gives the primary beneficiary(ies) the flexibility to refuse all or a portion of the inherited account, with the remainder passing to the contingent beneficiary(ies) named by the account owner prior to death).

The Inventory Worksheet contained in this brochure is provided for personal use only. If you have a retirement plan with Fiduciary Trust International of the South (part of the Franklin Templeton organization) as custodian and would like to change your beneficiary of record, please visit franklintempleton.com (click the "Forms and Literature" tab, search for "beneficiary") or call (800) 527-2020 to obtain the appropriate beneficiary designation form for your Franklin Templeton retirement plan. If your accounts are held at another financial institution, please contact the respective institution to obtain the appropriate beneficiary designation form.

Minors as beneficiaries

Take care when naming a minor as your beneficiary. If you wish to leave certain assets to young children, such as grandchildren, a guardian may need to be involved until the beneficiary is no longer considered a minor.

Estate as beneficiary

If you don't have a primary beneficiary(ies) or contingent beneficiary(ies) on your accounts—either because the individuals you named have died or because you simply never specified anyone—your estate may become the beneficiary (depending on the plan document/account agreement).

Assets left to your estate are subject to the delays and costs of probate. They will be distributed according to the terms of your will. If you don't have a will, state law determines who receives your assets. Heirs or creditors may contest the division of property, further delaying its distribution.

Trust as beneficiary

While naming a trust as the beneficiary of your account may seem like a simple solution, it may actually add a level of complexity when it comes to IRAs. For a trust to be treated as a designated beneficiary of your IRA, it must meet specific "see-through trust" requirements–among other things, all of the trust's beneficiaries must be individuals, and you should not commingle individuals and institutions, such as a charity, school or hospital.

Important: Under the SECURE Act, most non-spouse beneficiaries of IRAs (including trusts that qualify as designated beneficiaries) are generally required to empty the account within 10 years of the original owner's death, rather than stretching distributions over their lifetimes. Only certain "eligible designated beneficiaries"–such as a surviving spouse, a minor child of the account owner, a disabled or chronically ill individual, or an individual not more than 10 years younger than the account owner–may still stretch distributions over their life expectancy. If the original owner died on or after the date they were required to begin taking required minimum distributions (RMDs), beneficiaries subject to the 10-year rule may also need to take annual RMDs during years 1 through 9.

It's important your estate-planning attorney be experienced in drafting a trust that will accomplish your goals under current law.

529 Plans: similar but different

A different, but related, issue is posed by 529 Savings Plans. If you are the account owner for a minor, your death will not affect the designation of beneficiary. However, you should appoint someone you trust who can take over as successor account owner. This position is important because only the account owner of a 529 Plan can change the beneficiary and authorize distributions.

SECURE 2.0 spousal election (effective 2024)

Under the SECURE 2.0 Act, a surviving spouse who is the sole beneficiary of a retirement account may elect to be treated as the deceased account owner for required minimum distribution (RMD) purposes. This election can allow the surviving spouse to calculate RMDs using the more favorable Uniform Lifetime Table, potentially reducing the annual distribution amount. In some cases, this election may be applied automatically. Consult your financial professional or tax advisor to determine whether this election is appropriate for your situation.

Take a minute to protect a lifetime of saving

For your own peace of mind and the well-being of your loved ones, use the enclosed inventory worksheet to list the beneficiaries on your accounts, making sure the information is both current and correct. The primary and contingent beneficiaries may vary depending upon the asset.

Once you have completed the inventory, you'll need only a few minutes each year to review and make changes.

The 10-year rule for inherited retirement accounts:

Under the SECURE Act, most non-spouse beneficiaries who inherit an IRA or employer-sponsored retirement plan after December 31, 2019, are generally required to fully distribute the account within 10 years of the original owner's death. Certain eligible designated beneficiaries –including surviving spouses, minor children of the account owner and disabled or chronically ill individuals–may be able to stretch distributions over a longer period. Your beneficiary designations can affect how quickly your heirs must withdraw–and pay taxes on–inherited assets. Consult your tax or estate planning professional to understand how these rules apply to your situation.

Please note:

To ensure that beneficiary changes are legally binding, you will need to submit them to the appropriate account custodian, plan administrator or insurance company using the forms and procedures each requires.

Beneficiary account inventory worksheet

This worksheet is for inventory purpose only. This worksheet does not replace a beneficiary designation form. Contact each financial institution to obtain the instructions and forms necessary to designate or change your beneficiary(ies) at that financial institution.

IRAs (Traditional and Roth)

BENEFICIARY DESIGNATION WORKSHEET

NAME OF FINANCIAL INSTITUTION | **ACCOUNT NUMBER** | ☐ **TRADITIONAL** ☐ **ROTH** | **OWNER NAME**

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

☐ Primary ☐ Contingent | Relationship | Share % | Phone number ( )

Address | City | State | ZIP

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

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COMPANY-SPONSORED RETIREMENT PLANS (Examples: 401(k), 403(b), 457, SEP-IRA, SIMPLE-IRA, pension, Keogh)

BENEFICIARY DESIGNATION WORKSHEET

EMPLOYER NAME | **OWNER NAME** | **ACCOUNT NUMBER**

TYPE OF PLAN | **EMPLOYER PHONE NUMBER**

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

☐ Primary ☐ Contingent | Relationship | Share % | Phone number ( )

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LIFE INSURANCE

BENEFICIARY DESIGNATION WORKSHEET

INSURANCE COMPANY | **OWNER NAME** | **POLICY NUMBER**

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

☐ Primary ☐ Contingent | Relationship | Share % | Phone number ( )

Address | City | State | ZIP

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ANNUITIES

BENEFICIARY DESIGNATION WORKSHEET

INSURANCE COMPANY | **OWNER NAME** | **POLICY NUMBER**

☐ **FIXED** ☐ **VARIABLE** (CHECK ONE)

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

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COLLEGE SAVINGS PLANS (Example: 529 Account)

SUCCESSOR ACCOUNT OWNER WORKSHEET

NAME OF FINANCIAL INSTITUTION | **ACCOUNT NUMBER** | **OWNER NAME**

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

☐ Successor | Relationship | Share % | Phone number ( )

Address | City | State | ZIP

NAME OF FINANCIAL INSTITUTION | **ACCOUNT NUMBER** | **OWNER NAME**

First name | M.I. | Last name | Date of birth (mm/dd/yyyy) | SSN/TIN

☐ Successor | Relationship | Share % | Phone number ( )

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COVERDELL EDUCATIONAL SAVINGS ACCOUNT

BENEFICIARY DESIGNATION WORKSHEET

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☐ Primary ☐ Contingent | Relationship | Share % | Phone number ( )

Address | City | State | ZIP

Name | Date

ACCOUNTANT/TAX PROFESSIONAL

First name | Last name | Phone number

( )

Firm name

Address | City | State | ZIP

ATTORNEY/LEGAL COUNSEL

First name | Last name | Phone number

( )

Firm name

Address | City | State | ZIP

ESTATE PLANNING ATTORNEY

First name | Last name | Phone number

( )

Firm name

Address | City | State | ZIP

Location of will

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