



**NICSA**

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# RETIREMENT PLAN BENEFICIARY BEST PRACTICES

NICSA Retirement Committee

September 2012

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## Background

In the first quarter of 2012, the NICSAs Retirement Committee surveyed its members with regard to their practices regarding beneficiary designations.

This white paper summarizes the results of that survey which were initially presented in summary form during a NICSAs webinar in April.

The plan types represented in the survey included:

- IRAs
- Profit Sharing and Money Purchase Plans
- 403(b)s
- 401(k)s
- 457s

## Consistent Best Practices. . .

The survey results found many areas of consistency across firms. Policies and practices used by 80 to 100% of respondents included:

- Acceptance of complex beneficiary designations, such as per stirpes, per capita, all my children, and unique trusts.
- Minors permitted as beneficiaries, even if minors not allowed to own the investments.
- Ability to name guardians for minors as beneficiaries.
- No limit on number of beneficiaries.
- Name and date of birth (but not SSN or address) required for beneficiaries.

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- Account can be opened even if beneficiaries not in good order.
- Account owners able to *view* beneficiary designations online.
- Acceptance of partial changes to beneficiary designations.
- Surviving spouse is default beneficiary.
- Contingent deferred sales charge (CDSC) waived on distributions to beneficiaries.

## And Diversity of Practices

At the same time, the survey also identified many areas where practices varied significantly across firms. These included:

- Requirement for spousal consent when the spouse is not named as beneficiary on IRAs in community or marital property states.
- Allow minor beneficiaries to have a Custodian named under the specific state statutes that govern UTMA/UGMA regulations.
- Acceptance of trust designation without copies of key pages of the trust agreement (e.g., title, trustee, signature) or trust date.
- Allow different beneficiaries within an account type.
- Enable account holders to *update* beneficiaries online.
- Verify state-specific requirements before distribution.
- Before distribution, review of status of ex-spouse beneficiary when participant is remarried, in community property states.
- Documentation required for transfer of beneficiary accounts.

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## Disclaimer

The observations and conclusions contained in this white paper do not necessarily reflect the views of NICSAs or any of its member organizations. Nothing herein is intended to be or should be construed as legal advice. You should contact your own counsel in order to obtain legal advice regarding these or any other matters.

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