

The Makofsky Minute | November 9, 2021

The Importance of Designating a Beneficiary on Retirement Assets



There are many ways to pass assets to others at death. One way is to designate a beneficiary for a particular asset, if feasible. Retirement accounts are one type of asset for which naming a beneficiary is often recommended. Why?

Qualified retirement accounts are tax-deferred accounts and have different tax implications than your other assets. Having a named beneficiary on your retirement account(s) can have significant income tax advantages. With the passage of The Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") came new rules for a beneficiary of a retirement account in regard to accessing the retirement funds following the death of the initial account owner. This legislation set forth different payout options for the beneficiary of a retirement account, depending upon the relationship of the beneficiary to the deceased account owner and other factors such as whether the beneficiary is a spouse, minor or is disabled or chronically ill.

Having no named beneficiary on a retirement account will result in the deceased account owner's estate being the default beneficiary, in which case the law mandates that the retirement asset be fully distributed within 5 years following the account owner's death. This may result in significant income tax liability for the estate or estate's beneficiaries.

Naming a beneficiary to a retirement asset can allow the named beneficiary 10 years or more to distribute the asset following the account owner's death, resulting in more time to allow the asset to grow and "stretch" the income tax liability. The longer the retirement funds are held within the qualified retirement account, the more opportunity the funds have to grow and compound without the imposition of income tax.

Designating beneficiaries on your retirement accounts is a form of estate planning and should be done with careful consideration. Please contact our office if you have any questions about your retirement accounts.

[Visit Our Website](#)



Don't forget to visit the Makofsky Law Group, P.C. Facebook and Instagram pages and like us!

For more helpful information and to keep up to date on all Elder Law and Trust and Estate matters, visit our website at www.makofskylaw.com.

Don't forget to share any information you found helpful and informative with your friends and family!

Do you need a speaker for your group? Invite us to present for your group or organization either in person or virtually!



Our mailing address is:
600 Old Country Road
Suite 444
Garden City, NY 11530
516-228-6522

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).