



Benefit Consultants Group

Celebrating Over 50 Years of Service Excellence

MARCH 2009 NEWSLETTER



Save the Date!

Sales Seminar & Golf Outing- Wednesday, June 10

Reserve your spot now for our next sales seminar and golf outing at the prestigious Laurel Creek Golf Course! Seating is limited.

Contact Debbie White at 856-368-7217 or email dwhite@bcgbenefits.com.

TECHNICAL CORNER

Designating a Beneficiary For Your Retirement Plan Account

A recent Supreme Court decision underscores the need to clearly spell out the beneficiary designation process under a plan and to communicate to plan participants both the process and the consequences of a failure to follow it. In *Kennedy v. DuPont Savings and Investment Plan*, the court upheld the plan's payment of the deceased participant's account balance to his former wife, where the participant never changed his designation of the former wife as plan beneficiary even though she had waived all rights to his plan account in their divorce decree. The court concluded the plan administrators did not have to look to external documents to determine the deceased participant's intent where he failed to follow the plan's procedures for changing designated beneficiaries.

In This Issue

[SAVE THE DATE! Sales Seminar and Golf Outing](#)

[Designating a Beneficiary of Your Retirement Plan Account](#)

[Ask The Expert!](#)

[ERISA Survey Finds Many Sponsors Lacking on Fiduciary Details](#)

ASK THE EXPERT

The BCG Experience...We're Here to Assist You!

Do you have a question concerning your compliance package? Do you have questions about plan contributions? Are you thinking of buying another business, selling your business or even closing your business? Call BCG for advice on how to handle your qualified plan under these and any other situations you may have. With over 50 years of experience in every possible situation, BCG is uniquely qualified to assist you.

Making beneficiary designations.

You can name almost anyone--or anything--as your beneficiary, including individuals, charities, and trusts. (In some states, however, children under the age of majority--age 18 or 21, depending on the state in which you live--cannot be named as beneficiaries.)

When you name a beneficiary, those assets can pass directly to whomever you designate; they won't have to go through probate, which can be a lengthy and costly process. In addition, bear in mind that your beneficiary designations will override bequests you've made in your will. For example, even though your will might state that you want your spouse to inherit all of your assets, your brother will get a piece of the pie if you named him as the beneficiary of your company retirement plan and didn't bother to change it after you got married.

Be specific. If you have a particularly trusted friend or relative, it may be tempting to name him or her as your beneficiary with the assumption that that person would "know" how to distribute your assets in accordance with your wishes. For example, you might want to name your financially savvy brother as your beneficiary of your retirement plan; he, in turn, could distribute your assets to each of your siblings.

Resist the temptation to do this. For one thing, there's the possibility that person won't know precisely how you'd want those assets distributed or could decide to keep it all for himself. Perhaps more importantly, you could create or compound estate-planning issues for that person. Even if that individual ends up distributing the inherited assets to others, those assets will still be considered part of that person's estate when he or she passes away.

For all of these reasons, it pays to be as specific as possible when designating beneficiaries. Most beneficiary designation forms allow you to name multiple primary and contingent beneficiaries and to specify what percentage of assets you'd like distributed to each person upon your death.

Keep your designations up to date.

Plan to review your beneficiary designations on a regular schedule, ideally as part of an annual review of your finances. Major life events, such as a marriage, a divorce, the birth of a child, or the death of a loved one may require that you make changes to your designations. By the same token, you'll also want to review your beneficiary designations if you or your employer has recently switched retirement plan providers, as the beneficiaries you specified with your previous provider may not automatically carry over to the new one.

Consider the tax consequences.

Before you make your beneficiary designations, be aware that inheriting assets is apt to have tax ramifications for your loved ones. (That's not the case if you name a charity as your beneficiary, however. Not only will the charity receive the assets tax-free, but your estate will also be eligible for a charitable deduction.) If you're making someone other than your spouse the beneficiary of your company

Please contact your Plan Account Manager or call 1-800-524-4015, option 5, for more information.

ERISA Survey Finds Many Sponsors Lacking on Fiduciary Details

A new survey finds less than a third of retirement plan fiduciaries report a clear chain of authority for their plan's governance committee.

A recently released survey found that 58% of plan sponsors maintain minutes of meetings (down from 79% last year), 27% use an independent party to analyze plan fees (down from 45% last year), and 29% reported that they had established a clear chain of authority for their plan's governance committee (down from 41% last year). It is important for sponsors to be able to demonstrate how they make decisions and operate their plans in accordance with the law and plan documents. The Department of Labor looks for a well

retirement-plan assets, he or she may have to take mandatory distributions from that plan and, in turn, pay taxes on the money. This is the case even where the assets are transferred to an inherited IRA. Your spouse, on the other hand, may roll the assets into his/her own IRA and delay the commencement of distributions until he/she attains age 70 ½. See our December 2008 Newsletter for a more detailed discussion of the minimum distribution rules.

Also keep estate taxes in mind: if you designate someone other than your spouse as your beneficiary, that amount will be included in the value of your estate, and, in turn, could increase your estate or inheritance tax liability. And if your beneficiary already has a large amount of assets, you could end up creating an estate-planning headache for him or her, or compounding an existing one. That's because any inherited assets will be included in that person's estate, and if the taxable estate is above a certain threshold at the time of his or her death, his or her heirs will owe estate tax. Again, these issues don't pertain to husbands and wives, as a spouse generally will not owe estate or inheritance tax on assets inherited from another spouse. The surviving spouse's heirs may well owe estate tax at the time of his or her death, however.

For all of these reasons, it pays to discuss these considerations with your loved ones before you name them as your beneficiaries.

Give special consideration to loved ones with disabilities.

If you have a loved one with special needs, consult an attorney. You could affect the disabled individual's eligibility for government-provided benefits by transferring assets directly to him or her. In addition, if the person is mentally disabled, he or she may not be able to manage the assets.

documented and reasoned decision-making process.

Last year, more than half (55%) of plan sponsors surveyed were using a money market fund or stable value product as the default investment, while this year a quarter (25%) are using these investments as the default. In contrast, last year 17% of plan sponsors were defaulting participants into a target-date or lifecycle fund, compared to 52% this year. If you have not already chosen a qualified default investment for your plan, contact your Plan Account Manager who can tell you how to do so.

BCG has a Quick Compliance Checklist available to help you determine if you are satisfying your fiduciary responsibilities. You can request one by contacting your Plan Account Manager at 1-800-524-4015, option 5.



Benefit Consultants Group is the first retirement benefits TPA firm in the country to be ISO 9001 Registered.

For more information about our services, please call 1-800-524-401k, or visit our website at www.bcgbenefits.com.

[Join Our Mailing List!](#)