IMA Private Wealth

Beneficiary Designations: A Year-End Review

As you prepare for the New Year, reviewing your taxes and investments may already be on your checklist. It's also a good time to review your beneficiary designations.

Building wealth is only part of the equation. Equally important is considering how your assets may support the people and causes that matter most to you. For certain assets, including retirement accounts, life insurance policies, annuities, and transfer-on-death investment accounts, beneficiary designations generally determine who receives those assets.

Because beneficiary designations may supersede instructions in other estate planning documents, a periodic review can help identify outdated designations and keep your plans current. Before year-end, consider these four beneficiary review checkpoints.

1. REVIEW BENEFICIARIES ACROSS ALL ELIGIBLE ACCOUNTS

Over time, it is common to accumulate assets across multiple financial institutions and account types. Beneficiary designations established years ago may no longer reflect your current wishes.

Start with your wealth management and investment accounts, including Traditional and Roth IRAs, investment accounts with transfer-on-death provisions, annuities, and other accounts that allow beneficiary designations.

You may also want to review beneficiary information for other accounts you own, including:

+ Employer-sponsored retirement plans
+ Life insurance policies
+ Health Savings Accounts (HSAs)
+ Other beneficiary-designated accounts

If you are married, keep in mind that workplace retirement plans may require spousal consent before naming someone other than your spouse as a beneficiary.

Reviewing each account separately is important because beneficiary information generally does not transfer automatically from one account to another.

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RETIREMENT ACCOUNTS DESERVE SPECIAL ATTENTION

For retirement accounts, failing to name a beneficiary can have consequences beyond who ultimately receives the assets. Depending on the circumstances, leaving an account without a designated beneficiary can result in a shorter distribution period than would have applied to a properly designated individual beneficiary.

2. CONSIDER WHETHER LIFE CHANGES WARRANT UPDATES

Major life events often create a need to revisit beneficiary designations.

Examples include:

- Marriage or remarriage
- Divorce or legal separation
- Birth or adoption of children or grandchildren
- Death of a spouse, family member, or previously named beneficiary
- Significant changes in family circumstances

Even if your beneficiary designations were appropriate when you made them, they may no longer reflect your current wishes.

Reviewing beneficiary information after major life events can help you identify outdated designations or other missing information.

3. VERIFY YOUR BENEFICIARY INFORMATION

Many people check their primary beneficiary but forget to review their backup, or contingent, beneficiaries.

A primary beneficiary is the person, people, or entity you name to receive the assets in an account. A contingent beneficiary serves as a backup if your primary beneficiary is unable to receive the assets.

As part of your review, confirm that:

- Beneficiary names are accurate
- Allocation percentages reflect your wishes
- Backup (contingent) beneficiaries are named, if appropriate
- Contact information is current, if available
- Any required spousal consent is complete, if applicable

While these details may seem minor, keeping them up to date can help prevent unintended outcomes.

4. MAKE SURE YOUR BENEFICIARIES STILL REFLECT YOUR WISHES

Your beneficiary designations should reflect your current wishes and work alongside any estate planning arrangements you have in place. Over time, family circumstances, financial priorities, and legacy goals may change. A year-end review can help confirm that your beneficiary designations remain aligned with your intentions.

This review may be particularly important if you:

- Have a trust-based estate plan
- Are part of a blended family
- Own a business
- Have charitable giving objectives
- Wish to provide for multiple generations
- Have beneficiaries with special needs

Keep in mind that beneficiary designations generally take precedence over instructions in a will. That makes it especially important to keep each designation current.

If you haven't already established an estate plan, this may be an appropriate time to consider whether one could help support your financial and legacy goals. Your advisor can help connect you with resources and qualified professionals to explore your options.

YOUR QUICK CHECKLIST

- ☐ **Review Beneficiaries Across All Eligible Accounts**
  Review all beneficiary-designated accounts.
- ☐ **Consider Whether Life Changes Warrant Updates**
  Reflect on recent life events.
- ☐ **Verify Your Beneficiary Information**
  Confirm beneficiary details are current.
- ☐ **Align Your Beneficiaries with Your Wishes**
  Ensure designations reflect your wishes.

A Good Time to **Check In**

As the year comes to a close, consider taking a fresh look at the plans you've put in place for your family, finances, and legacy. Changes in your family, finances, or priorities can create opportunities to revisit important planning decisions.

If you'd like to explore these or other planning considerations, your advisor is available to help guide the conversation and connect you with additional resources when appropriate.

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NPN 1316541 | IMA, Inc dba IMA Insurance Services
California Lic #0H64724 | CT-FY-IMAPW-110626

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