

Understanding the *per stirpes* beneficiary designation

Choosing a beneficiary for your IRA is an important decision; however, knowing how your assets can pass to your heirs through the standard or per-stirpes beneficiary designation can be just as important.

Most IRA contracts have a standard designation where your beneficiary must be alive upon your death to inherit their share. An IRA with Wells Fargo Advisors lets you choose between a *standard* designation or a *per stirpes* designation. With a per stirpes designation, if a beneficiary predeceases you, and you do not update your beneficiary designations or a beneficiary disclaims their portion, their share would go to their descendants; usually their children. Any named beneficiary who predeceases you and has no descendants will follow the standard designation, if a per stirpes designation was selected. Keep in mind per stirpes generally follows the blood line so a spouse is not an heir under a per stirpes designation.

Hypothetical per stirpes example: You have designated that your two children, Mary and John, are to equally inherit your IRA assets – 50% to Mary and 50% to John. With a standard designation, if Mary has predeceased you, her 50% share will go to John and he will receive 100% of the assets.

If, instead, you wish Mary's children (your grandchildren) to inherit her IRA share, a *per stirpes* designation is necessary. So, if Mary predeceases you or disclaims her inherited portion within 9 months of your death, John will still retain his 50% share, and under a per-stirpes designation, Mary's 50% portion will divide equally among her children. Mary's children will be able to establish Inherited IRAs and take advantage of the stretch IRA strategy.* This allows the IRA assets to retain their tax-advantaged status, potentially building family wealth.



Updating your IRA beneficiaries

Selecting the per stirpes designation can be done when the IRA is established OR by completing the "IRA Change of Beneficiary and Indemnification" form. Your Financial Advisor with Wells Fargo Advisors can assist you with this request. It is important to indicate

either the name of a personal representative or that your trustee or executor will serve in the personal representative role; since the per stirpes beneficiaries are not named. The personal representative will provide instructions telling us who those beneficiaries are and answer any questions regarding these designations after your death. Discussing your wishes with your beneficiaries may be a good idea so they can be better educated on their options when they inherit the IRA. Before making this designation, you should consult with your legal advisor as state law may vary regarding per stirpes beneficiaries.

With you every step of the way

Everyone has a different vision of retirement that requires a unique financial strategy. Wells Fargo Advisors can support you in your retirement planning process by providing the guidance needed to make informed choices. We will meet with you and help create a comprehensive plan that takes into account your complete financial picture. Your Financial Advisor will be with you every step of the way to monitor your progress and adapt your plan as needed. Working together, we'll design and implement a retirement plan that can help you live out your unique vision of retirement.

Hypothetical per stirpes example

You name your two children, Mary and John as beneficiaries of your \$200,000 IRA. However, Mary dies before you.

Standard option

John inherits the full amount.

Upon your death, the full \$200,000 passes to John, since Mary has died before you.

Per stirpes option

Mary's children inherit her portion.

Upon your death, \$100,000 passes to John. Mary's \$100,000 passes equally to her children, since Mary has died before you.

*Stretching an IRA simply refers to the ability to take required minimum distributions (RMDs) over the beneficiary's single life expectancy (using the term-certain calculation method) rather than over the life expectancy of the original IRA owner.

This material has been prepared for informational purposes only. Wells Fargo Advisors does not provide tax or legal advice. Be sure to consult with your own tax and legal advisors before taking any action that may have tax or legal consequences.

INVESTMENT AND INSURANCE PRODUCTS:

NOT FDIC INSURED

NOT BANK GUARANTEED

MAY LOSE VALUE

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

© 2018 Wells Fargo Clearing Services, LLC. 0318-00038 IHA-5525602

Together we'll go far

