

Employee Ownership Update #4

It's time to designate your ESOP beneficiaries!

A task is awaiting you in your Workday inbox to complete your beneficiary designation form. Please go to My Tasks in Workday and click on the "ESOP Beneficiary Form," review the instructions, and update the form to designate your primary and contingent beneficiaries. The form is designed for electronic signatures, so for most this will be processed entirely via Workday.

Why is this important?

Designating beneficiaries for your assets is a crucial step in protecting your legacy and ensuring your loved ones are cared for. Whether it's a 401(k)/Profit Sharing, Health Savings Account, life insurance, or your new Ames ESOP account, naming beneficiaries helps streamline asset distribution, avoid legal complications, and directs your assets as you intend.

You Control the Outcome

Without a designated beneficiary, your assets may be subject to probate, which is a lengthy and often costly legal process that can delay distribution and open the door to disputes. Essentially, how your assets are distributed would be determined by the courts.

- Retirement accounts – 401(k), Profit Sharing, ESOP, and IRAs will bypass probate if a beneficiary is named.
- Life insurance – the death benefit is designed to provide immediate financial relief – think of end-of-life costs and income replacement for loved ones. Without a beneficiary designated, these funds may be held up in court.
- Health Savings Accounts – like retirement accounts, these can be passed to a qualified dependent with no tax implications and can continue to be used for qualified medical expenses.

Designating beneficiaries ensures your assets are quickly distributed and in accordance with your intentions.



Life Insurance: Log into your Workday account, navigate to Benefits > My Beneficiaries to update



Health Savings Account (HSA): Employees may designate primary and contingent beneficiaries via their Optum account (soon to be Empower)



Retirement Accounts: Employees may designate primary and contingent beneficiaries via their Empower account



ESOP – NEW! Please log into Workday and start your Journey to completing the beneficiary designation form.

Avoid Legal and Tax Complications

Improper or missing beneficiary designations can trigger unintended tax consequences or legal battles.

In many states, spouses have automatic rights to certain assets unless they are waived. If married, naming a non-spouse beneficiary without proper documentation can lead to legal challenges. In addition, certain beneficiaries (like spouses) may have more favorable tax treatment on inherited retirement accounts. Naming them will preserve more of your wealth.



Please note, if married and it is you and your spouse's intention to name someone other than your spouse as the primary beneficiary, you will need the spousal consent waiver signed. This waiver requires a notary and will therefore need to be processed outside of Workday. Please contact Jon Beckius at jonbeckius@amesco.com should you require a spousal consent waiver.

Keep Your Plan Current

We all know that life happens and marriages, divorces, births, and deaths all impact who should receive your assets. A forgotten ex-spouse or missing a new dependent could result in assets going to the wrong person or someone unintentionally being left out.

Regular updates ensure your plan reflects your current relationships and priorities, and you should review your beneficiary designations every year and especially after major life events.



Provide Clarity and Reduce Conflict

Clear beneficiary designations minimize ambiguity and reduce the risk of family disputes. Written instructions carry legal weight and can help prevent additional stress during emotionally trying times. They also prevent courts from making assumptions about your intentions.

Complement Your Broader Estate Plan

Beneficiary designations work in tandem with wills, trusts, and other estate planning tools. Assets with named beneficiaries typically override instructions in a will, and you should coordinate all elements of your plan to ensure consistency and avoid contradictions. Your estate plan should be a cohesive strategy, not patchwork.

Review your designations with a financial advisor to align with your estate planning and tax strategies.



Conclusion

Designating beneficiaries is a simple, powerful step in financial planning. It ensures your assets are distributed efficiently, minimizes legal hurdles, and protects the people you care about most. **Whether it's an Ames sponsored benefit or something you maintain personally, please take the time to review and update all your beneficiary designations.**

