

Beneficiary Designations

A Simple and Powerful Way to Remember Your Parish

What Is a Beneficiary Designation?

A beneficiary designation is a legal instruction you give directly to a financial institution — a bank, investment firm, insurance company, or retirement plan administrator — naming the person or organization that will receive the assets in that account when you die.

Beneficiary designations can be placed on many types of accounts and assets, including:

- Retirement accounts — IRAs, 401(k)s, 403(b)s, pension plans
- Life insurance policies
- Bank accounts designated "Payable on Death" (POD)
- Investment and brokerage accounts designated "Transfer on Death" (TOD)
- Annuities and certain savings bonds

You may name any person, charity, or organization as a beneficiary, including your parish.

Why Beneficiary Designations Matter: Avoiding Probate

One of the most significant advantages of a beneficiary designation is that it passes assets outside of probate — the legal process by which a court supervises the distribution of a deceased person's estate.

Assets that pass by beneficiary designation go directly to the named recipient without court involvement. This means:

- Payment can happen in weeks rather than months or years
- The transfer is generally private and not part of the public record
- There are no probate fees or court costs applied to these assets
- The process is simple: the beneficiary presents a death certificate and completes the institution's claim form

For a parish or diocese receiving a charitable gift this way, beneficiary designations are among the most efficient and straightforward gifts to administer.

A note on wills:

Even if your will says something different, a beneficiary designation controls. Beneficiary designations supersede the instructions in a will for the assets they cover. This is one reason it is so important that designations be kept current and intentional.

Potential Tax Benefits for Charitable Giving

Naming a church or other qualified charitable organization as a beneficiary, rather than an individual, can carry tax advantages. While every donor's situation is different, the following general principles may apply:

Retirement Accounts Are Especially Tax-Efficient for Charity

Retirement accounts such as IRAs and 401(k)s are funded with pre-tax dollars. When an individual inherits them, they generally owe income tax on the distributions. A qualified charity, however, pays no income tax — it receives the full value of the account. This makes retirement assets a good kind of asset to leave to a church/charity.

No Gift Tax on Charitable Transfers

Transfers to qualified charitable organizations by beneficiary designation are not subject to federal gift tax. The full amount passes to the charity.

When Did You Last Review Your Beneficiaries?

Beneficiary designations are easy to set — and easy to forget. Many people named their beneficiaries years or even decades ago and have never revisited them. Life changes, and designations that were once right may no longer reflect your wishes.

Consider reviewing your beneficiary designations if any of the following are true:

- You named a spouse or partner and have since divorced or been widowed
- You have had children or grandchildren since the designation was set
- A named beneficiary has predeceased you
- Your charitable intentions have changed or deepened
- You have opened new accounts but never completed a beneficiary form
- You have moved retirement accounts and are not sure the designation transferred
- It has simply been more than three to five years since you looked

Updating a beneficiary designation is usually straightforward: contact the financial institution or plan administrator, request a change-of-beneficiary form, and complete it. No attorney is required for most accounts, though it is always wise to let your estate planning attorney know of any changes.

A gentle invitation:

If you have not looked at your beneficiary designations recently, this is a good moment to do so. And if you feel moved to include your parish among your beneficiaries, a simple call to your financial institution is all it takes. Please let your clergy or parish administrator know — we would be honored to welcome you into our Legacy Society.

How to Name Your Parish as a Beneficiary

To name your parish as a beneficiary, you will need the church's legal name and, in some cases, its tax identification number (EIN). Contact your parish administrator or treasurer for this information. You may name the parish as:

- A primary beneficiary — receiving a portion of the asset upon your death
- A contingent (secondary) beneficiary — receiving the asset if your primary beneficiary predeceases you
- A partial beneficiary — receiving a designated percentage alongside family members or other charities

When completing the form, be specific about the percentage you intend and confirm that the legal name matches your parish's records exactly.

Important Disclaimer

This document is intended for general informational and educational purposes only. It does not constitute legal, tax, or financial advice, and should not be relied upon as such. Tax laws are complex and subject to change. The applicability of any tax benefit depends on your individual circumstances. Before making any decisions regarding your estate plan or charitable giving, please consult a qualified estate planning attorney, tax advisor, or financial planner. The Diocese of Newark and its parishes do not provide legal or tax counsel.