LESSON · ESTATE PLANNING

# Beneficiary Designations vs. Your Will: Which One Actually Wins

Your will may say one thing, but the beneficiary form you filled out years ago on your 401(k) usually wins — and most people never go back to check it.

**Read time:** 7 minutes **Level:** Beginner **Includes:** Knowledge check

Most people assume their will controls where their money goes when they die. For retirement accounts, life insurance, and many bank and brokerage accounts, that's usually wrong. Beneficiary designations — the form you filled out (and maybe forgot about) when you opened the account — almost always override whatever your will says, no matter how recently the will was updated.

## Why beneficiary designations win

Accounts with a named beneficiary — IRAs, 401(k)s, life insurance policies, and accounts registered as "Transfer on Death" or "Payable on Death" — pass directly to whoever is named on that form, by contract, entirely outside of probate and outside of whatever the will says. The will only controls assets that don't already have some other legal mechanism directing where they go. This isn't a loophole or an edge case; it's simply how these account types are designed to work.

**Worked example**

Someone updates their will after a divorce to leave everything to their children, believing that settles the matter. But their old 401(k) still lists their ex-spouse as primary beneficiary from a form filled out 15 years earlier, and it was never updated after the divorce. When they pass away, the 401(k) — often one of the largest assets in the estate — goes directly to the ex-spouse, regardless of what the will says, because the beneficiary designation is a separate, controlling contract that the will cannot override.

## The moments that most often leave a beneficiary form stale

- **Divorce or remarriage** — an ex-spouse or a new spouse may still (or not yet) be listed.
- **The birth of a child or grandchild** — new family members are never added automatically.
- **The death of a previously-named beneficiary** — if no contingent beneficiary was named, the account can end up in probate anyway, the very outcome a beneficiary designation is supposed to avoid.
- **A rollover to a new IRA or 401(k)** — beneficiary elections don't always carry over automatically when an account moves to a new custodian.

## Naming a minor as a beneficiary directly can backfire

**Minors generally can't directly inherit large account balances**

If a minor grandchild or child is named directly as a beneficiary, most states require a court-supervised guardianship of the funds until the child turns 18 (sometimes 21), which is often slower, more expensive, and less flexible than intended. A trust named as the beneficiary, with a chosen trustee managing the funds according to the grantor's instructions, is the more common way to leave money to a minor without triggering a court process.

## Primary vs. contingent beneficiaries

Every account should generally have both a primary beneficiary (first in line) and at least one contingent beneficiary (who inherits if the primary has already passed away). Skipping the contingent beneficiary is a common oversight that can send the account through probate anyway if the primary beneficiary doesn't survive the account owner — defeating the purpose of naming a beneficiary in the first place.

# Where a will still matters

A will still controls anything that doesn't have its own beneficiary designation — personal property, real estate held in your name alone, and any account with no living named beneficiary. A will is also where guardianship for minor children gets established, and where broader estate coordination (like tax and trust planning) typically happens. The point isn't that wills are unimportant — it's that they don't override the beneficiary forms on retirement and insurance accounts, so both need attention, not just one.

## Where inherited IRA rules come in

Once a beneficiary designation determines who inherits a retirement account, the rules covered in the Inherited IRAs lesson take over — the 10-year rule, eligible-designated-beneficiary exceptions, and so on. Getting the beneficiary designation right is the first step; understanding what the recipient must then do with the account is the second.

### Reviewing beneficiary designations

- [ ] Pull the current beneficiary designation for every IRA, 401(k), life insurance policy, and TOD/POD account — don't assume the will covers them.
- [ ] Update designations after a divorce, remarriage, birth, or death in the family — these don't update automatically.
- [ ] Confirm a contingent beneficiary is named on every account, not just a primary.
- [ ] Avoid naming a minor directly; consider a trust as beneficiary instead if minors are involved.
- [ ] Re-check beneficiary elections after any account rollover or change of custodian.

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KNOWLEDGE CHECK

# Test what you just learned

Answer four quick questions to test what you just learned.

**1. Which typically controls who inherits an IRA or 401(k) — the will or the beneficiary designation?**

A. The will always controls, regardless of the beneficiary form

B. The beneficiary designation almost always overrides the will for that account

C. Whichever document was signed more recently, regardless of type

**2. What commonly leaves a beneficiary designation outdated?**

A. Beneficiary forms update automatically after a divorce

B. Life events like divorce, remarriage, births, or deaths in the family, since these aren't updated automatically

C. Beneficiary designations expire every 5 years and must be renewed

**3. Why can naming a minor directly as a beneficiary cause problems?**

A. Minors are not legally allowed to be named as beneficiaries at all

B. Most states require a court-supervised guardianship of the funds until the child reaches adulthood

C. It triggers immediate taxation of the full account balance

**4. What happens if only a primary beneficiary is named and that person has already died?**

A. The funds are forfeited to the state

B. The account can end up going through probate anyway, since there's no contingent beneficiary to fall back on

C. The funds automatically go to the deceased primary beneficiary's estate with no other options

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