

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 if your beneficiary predeceases you, their share is divided proportionately among the remaining primary (or contingent) beneficiaries based on the percentage they are to receive. 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 lineal descendants; usually their children. Any named beneficiary who predeceases you and has no lineal 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, Maya and Jace, are to equally inherit your IRA assets — 50% to Maya and 50% to Jace. With a standard designation, if Maya has predeceased you, her 50% share will go to Jace and he will receive 100% of the assets.

If, instead, you wish Maya's children (your grandchildren) to inherit her IRA share, a *per stirpes* designation is necessary. So, if Maya predeceases you or disclaims her inherited portion within 9 months of your death, Jace will still retain his 50% share, and under a *per stirpes* designation, Maya's 50% portion will divide equally among her children. Maya's children will be able to establish Inherited IRAs.

Hypothetical *per stirpes* example

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

Standard option

Jace inherits the full amount.

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

Per stirpes option

Maya's children inherit her portion.

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

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" form. Your financial advisor with Wells Fargo Advisors can assist you with this request. 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.

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