When an individual purchases an annuity, they name one or more beneficiaries who will receive the benefits if something happens to them before the contract ends. This could be due to death, disability, or another event that would cause the individual to no longer need their income from the annuity.

The ultimate beneficiary of an annuity is the individual receiving the payments; however, there can also be additional beneficiaries. These can be named by the owner or automatically assigned through the contract. It's essential to understand who these beneficiaries are and how they will be affected by the annuity payments to best plan for retirement income needs.

Primary Beneficiary: The primary beneficiary is typically designated by the owner at the time of purchase and will receive any remaining funds from the annuity after the owner's death. When multiple primary beneficiaries are listed on an account, each may receive a proportional portion of any remaining funds at death based on their age and relationship to the owner. This can include spouses, children, stepchildren, grandchildren, siblings, or other loved ones such as friends or charities. Depending on individual circumstances, these distributions may be taxable, so it's vital to seek expert advice when naming beneficiaries on your account if you're unsure about how taxes may affect them down the road.

Secondary Beneficiaries: A secondary beneficiary is another person who might benefit from an annuity upon the death of both owners (if it's owned jointly). Generally, this would include other family members such as grandchildren or nieces/nephews but could also include non-family members like charities or religious organizations should you desire. If no secondary beneficiary is named, any remaining funds will pass directly through your estate according to your state’s laws regarding intestate succession if applicable (or whatever estate planning documents you left behind).

Contingent Beneficiaries: In some cases, you may choose to name a contingent beneficiary in case both primary and secondary beneficiaries predecease you before taking ownership of your annuity policy. This could include family members or non-family members like charities/religious organizations, depending on whom you want to receive any remaining funds at that time should it ever become necessary for them to do so.

Annuity owners should keep their beneficiaries up-to-date by ensuring they are aware of changes in their life. This includes marriage, divorce, the birth of a child, the death of a loved one, or any other relevant life events that may affect the ownership/distribution of your annuity policy. It’s also important to consider the tax implications for all involved and how you want your funds to be allocated should something unexpected happen.

By understanding annuity beneficiaries and taking the time to name them correctly, you ensure that your beneficiaries receive the funds from your annuity in accordance with your wishes. Be sure to talk with an experienced financial advisor for more information about annuities and how naming the correct beneficiaries may help protect both you and those closest to you in the future.

Like all critical issues, please make sure you fully understand how and why a beneficiary selection is essential. Ask for professional help from a licensed and authorized professional.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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