Don’t Make this Million-Dollar Mistake with Your 401(k)!

Like many Americans, you probably work for a company that offers a 401(k) plan to help you save for retirement. The 401(k) plan puts the burden on you to set aside and save some of your compensation for the future. Your company may, or may not, provide a small contribution match or perhaps a profit-sharing contribution. Either way, this account may become the largest asset that you own.

When you first signed up for the plan, you probably filled out a beneficiary designation form that instructed the plan administrator to distribute your account to your named beneficiary upon your death. Since that time however, have you ever reviewed and updated that beneficiary designation? If you haven’t, your family or intended beneficiary may be in for a rude awakening if you passed away.

The case of *The Proctor and Gamble U.S. Business Services Company v Estate of Jeffrey Rolison*[i], describes a common situation that yielded horrendous results for Rolison’s family.

Rolison’s mistake was failing to review and update the beneficiary designation on his 401(k) plan at Proctor and Gamble (“P&G”) where he worked for 28 years. That mistake allowed a former girlfriend, with whom he broke up in 1989, over 3 decades ago, to become a millionaire!

Rolison joined P&G’s 401(k) plan in 1987 while he was dating Margaret Sjostedt, now Margaret Losinger (“Losinger”). He named Losinger as the beneficiary of the plan on a paper form. They broke up two years later, in 1989. In 2002, Rolison began a relationship with Mary Lou Murray. Over the years, they lived in a common law marriage.

Murray was listed as Rolison's beneficiary of his life insurance and health insurance benefits until they separated in 2014, after which Murray was removed as the beneficiary of those benefits. But Rolison never updated the beneficiary designation on the 401(k) plan even though he was reminded several times during his tenure with P&G, particularly after P&G went to an online system for designating beneficiaries. Rolison died on December 14, 2015, and his account balance had grown to over $754,000.

P&G commenced litigation in the U.S. District Court for the Middle District of Pennsylvania to determine who was entitled to receive the 401(k) account balance. Rolison's estate, Losinger and Murray all claimed the account balance. The estate also countersued P&G for various claims including breach of fiduciary duty as the plan sponsor. Murray was dismissed from the case since she had never been the beneficiary of the 401(k) despite her claims of a common law marriage. After years of litigation, and the account growing to over $1 million, the court granted summary judgment to P&G and Losinger on April 29, 2024. The estate's claims against P&G were dismissed and the account balance was directed to be turned over to Losinger.

While the estate has appealed the court's decision, this case is instructive to the many Americans with 401(k) plans and other financial products, like life insurance, which designate a beneficiary. Review your beneficiary designations regularly, particularly after a life event such as a marriage, divorce, separation, end of a relationship, the birth of a child, etc.

Most plans provide a relatively easy way to monitor and change beneficiaries through an online portal. Don't make a million-dollar mistake like Jeffrey Rolison who could have easily changed the outcome of this case, along with the great amount of time and money the estate had spent to try to recover the account balance.

Regularly reviewing beneficiary designations, whether for an employer-sponsored retirement plan, an IRA, life insurance, annuities and other financial products, is a foundational element of any sound financial security plan. Changing beneficiaries is relatively simple and fast, particularly with current online systems. Your Security Mutual life insurance advisor is in a unique position to help you organize and plan your retirement and to help ensure that your hard-earned money and assets are actually used or distributed in the manner and to the people you intended. That starts with a simple review of beneficiary designations.

For More Information Contact:

Contact your local Security Mutual life insurance advisor immediately. Your Security Mutual life insurance advisor will assemble your team and coordinate with your attorney and tax professional to review your situation and to determine the retirement and estate plan that will best suit your needs and objectives.

[i] *The Procter & Gamble U.S. Bus. Servs. Co. v. Estate of Rolison, No. 3:17-CV-00762 (M.D. Pa. Apr. 29, 2024).*

The information presented is designed to provide general information regarding the subject matter covered. It is not intended to serve as legal, tax or other financial advice related to individual situations, because each person's legal, tax and financial situation is different. Specific advice needs to be tailored to your particular situation. Therefore, please consult with your own attorney, tax professional and/or other advisors regarding your specific situation.

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