

Funeral Planning and KPERS \$4,000 Retiree Death Benefit

Dealing with financial issues related to funeral arrangements can be difficult. KPERS can help make it easier. The Retirement System provides a \$4,000 lump-sum death benefit that can be used to pay for funeral expenses.

Almost all retirees have the death benefit, no matter which retirement option they chose when they retired. The benefit can be paid to a funeral establishment or another beneficiary.

Naming a Funeral Establishment

A retiree can **directly designate** a funeral establishment to receive the \$4,000 death benefit.

On the other hand, if a retiree names another beneficiary instead, the beneficiary can **assign** the benefit to a funeral establishment after the retiree's death. Beneficiaries are not required to assign their benefit, and if more than one ben-

eficiary receives a share of the benefit, the assignment is voluntary for each beneficiary.

Who Pays the Taxes?

The \$4,000 death benefit is taxable income to the beneficiary. The benefit is exempt from Kansas income tax, but is included in income for federal taxes.

How a funeral establishment receives the benefit determines who is responsible for the taxes.

If the **retiree** directly designates a funeral establishment, the funeral establishment receives \$4,000 from KPERS and pays any applicable taxes.

If a **beneficiary** assigns the benefit to a funeral establishment, the beneficiary is responsible for the taxes.

KPERS will withhold a required 20 percent for federal tax withhold-

ing. The remainder is sent to the funeral establishment.

- \$3,200 to funeral establishment
- \$800 withholding to IRS

KPERS will send the beneficiary a 1099-R form the following January for his or her federal tax return.

Note: Examples assume the entire \$4,000 is assigned to a funeral establishment.

Applying for the Death Benefit

KPERS does not pay the \$4,000 death benefit automatically. Beneficiaries need to apply for it. Before doing any paperwork, please contact KPERS to verify who was named as beneficiary.

Contacting KPERS

Toll-Free: 1-888-275-5737

In Topeka: 785-296-6166

E-mail: kpers@kpers.org

Web Site: www.kpers.org

Mail: 611 S. Kansas Ave., Suite 100
Topeka, KS 66603-3869



Frequently Asked Questions

Can the death benefit be pre-paid to a funeral establishment? No. The death benefit is not paid until a retiree dies and a beneficiary applies for it.

What if there is an overpayment to the funeral establishment?

The funeral establishment will return any overpayment to the family. If KPERS knows ahead of time, the amount needed for the funeral is paid to the funeral establishment and the rest of the benefit is paid to the member's beneficiaries. If the funeral expenses were paid by other means, the funeral establishment will waive the benefit, and it will be paid to the member's beneficiaries.

Is the death benefit taxable?

Federal - Yes

Kansas - No

Other states - Check with individual states