

## Beneficiary Designation Guidelines

The naming of a beneficiary is one of the most important decisions faced by owners of life insurance policies. Beneficiary designations should be considered carefully and reviewed regularly. We have developed this guideline to help you save time and avoid delays. The examples below are suggestions only; each carrier will have their own particular guidelines.

Please note that carriers have begun asking more detailed information about beneficiaries, such as addresses and social security numbers in an attempt to better identify and track beneficiaries. We understand that some clients may object to such inquiry, but when a beneficiary is unaware of a policy and the carrier is unable to track down the persons or entities, claims can be difficult or impossible to pay. Recent litigation brought against some life insurance carriers has made such fact-finding a necessity, and carriers now ask for more information to be in a better position to find beneficiary(ies) of a known deceased insured.

Beneficiary(ies)	Language/Guidelines	Comments
<b>Estate of the Insured</b>	"Estate of (full name) Insured."	<ul style="list-style-type: none"> <li>Only use in very rare situations because the designation will cause the proceeds to be subject to creditors.</li> <li>Where it's used we strongly suggest that the financial advisor document their case file that they advised the insured against/drawbacks to the designation.</li> </ul>
<b>Spouse of Insured</b>	"(Full name of spouse) spouse of the insured." <ul style="list-style-type: none"> <li>Social security number</li> </ul>	
<b>Minor Child / Beneficiary</b>	<ul style="list-style-type: none"> <li>See <b>Testamentary Trust</b> where proceeds are paid to trust for the minor's benefit.</li> <li><b>Uniform Transfers to Minors Act (UTMA)</b>: "(Full name of custodian) as Custodian for (full name of child) son/daughter, under the (State) Uniform Transfers to Minors Act."</li> </ul>	<ul style="list-style-type: none"> <li>If the beneficiary is a minor at the insured's death, the death benefits will not be paid direct to the minor. Instead, payment is made to someone appointed by the court to be the minor's guardian/custodian. Instead of the expense and complexity of a court appointed custodian, a trustee of a trust for the minor's benefit, or a custodian under the state's UTMA can be used.</li> </ul>
<b>Multiple Adult Children / Beneficiaries</b> (If a beneficiary dies before the insured proceeds pass equally to the surviving beneficiaries)	Provide the following information: <ul style="list-style-type: none"> <li>Full name of each beneficiary</li> <li>Relationship to the insured</li> <li>Date(s) of birth for each child</li> <li>Social security number for each child</li> <li>Current addresses of each child</li> </ul>	<ul style="list-style-type: none"> <li>The insured should normally be the policy owner where there are multiple beneficiaries. Having three different designations on a policy can cause adverse gift tax (e.g., having a parent as the insured, one child as owner, and multiple children as beneficiaries). While it's possible to have the same owners and beneficiaries, where there are multiple owners any policy action will require the consent of all owners.</li> <li>Where there are multiple beneficiaries proceeds are distributed to the surviving named beneficiaries in equal shares (joint with right of survivorship) except where tenants in common is requested.</li> </ul>



<b>Multiple Beneficiaries (tenants in common)</b>	Provide the following information: <ul style="list-style-type: none"> <li>• Full name of each beneficiary</li> <li>• Percentage (must add up to 100%)</li> <li>• Relationship to the insured</li> <li>• Date(s) of birth for each beneficiary</li> <li>• Social security of each beneficiary</li> <li>• Current addresses of each beneficiary</li> </ul>	<ul style="list-style-type: none"> <li>• An example where the desire is to have the death benefit pass to heirs of a beneficiary that predeceases the insured (tenants in common) instead of the surviving beneficiaries: 50% to (name of beneficiary #1), if living, otherwise to the estate of (beneficiary #1); and 50% to (name of beneficiary #2), if living, otherwise to the estate of (beneficiary #2).</li> <li>• Avoid using terms “per capita,” “per stirpes,” and “by representation”.</li> <li>• Avoid using the terms “issue,” “heirs” and “descendants.”</li> </ul>
<b>Trust Under Will (Testamentary Trust)</b>	(Full name of trustee) as trustee of (full name of the trust if applicable) created in the instrument admitted as my Last Will and Testament provided, should my Last Will and Testament not contain (name of the trust) or should I die intestate, then equally to my then living children (name of children)."	<ul style="list-style-type: none"> <li>• This beneficiary designation is often used for trusts established to benefit minor children. Such a trust may not exist at the insured's death so it's important to address this contingency with a successor beneficiary.</li> </ul>
<b>Living Trust</b>	"(Full name of trustee) as trustee of (full name of the trust) dated (date of trust)."	<ul style="list-style-type: none"> <li>• If the trust is established to keep the policy proceeds out of the estate of the insured(s) the trust should also be the owner.</li> </ul>
<b>Corporation</b>	"(Full name of company) Inc., a (state) corporation." <ul style="list-style-type: none"> <li>• State of organization</li> </ul>	
<b>Partnership</b>	"(Full name of company) a (state) partnership." <ul style="list-style-type: none"> <li>• State of organization</li> </ul>	
<b>Limited Liability Company</b>	"(Full name of company) LLC, a (state) limited liability company." <ul style="list-style-type: none"> <li>• State of organization</li> </ul>	
<b>Charitable Organization</b>	"(Full name of charity) a (state) corporation." <ul style="list-style-type: none"> <li>• State of organization</li> </ul>	
<b>Contingent Beneficiary</b>		<ul style="list-style-type: none"> <li>• It's important to designate contingent beneficiary(ies) especially when the primary beneficiary(ies) are individuals.</li> </ul>
<b>Collateral Assignment</b>	Way for lender to receive some policy death proceeds while NOT being a beneficiary.	<ul style="list-style-type: none"> <li>• A separate form where policy owner transfers all or a portion of rights to death proceeds to an assignee/ lender with policy beneficiary the balance.</li> </ul>

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