

A guide to naming a beneficiary on your life insurance policy.



One of the most important decisions in establishing a life insurance policy is determining and declaring appropriate beneficiaries. While it might seem simple – the selection of a spouse or child, for example – there are many additional considerations that can and should influence how beneficiaries are named.

Selecting a beneficiary for your life insurance policy and keeping the information up to date protects your loved ones' interests, should something happen to you. So, as you design the life insurance policy that meets your family's needs, consider these things:

- What are your reasons for purchasing the insurance? Is it to replace lost income or to protect your family's lifestyle? If so, who do you trust to make sure the money is used appropriately?
- Is your life insurance policy intended to leave a legacy for loved ones such as young children or grandchildren? If so, special plans may need to be put into place.
- Do you have property that still is mortgaged? Who will inherit that property? Making that person a beneficiary on your life insurance policy can help him or her avoid paying your mortgage debt out of pocket until decisions about your property can be made.
- Who will be responsible for your funeral expenses? As a policy beneficiary, that individual will have access to funds so your wishes can be followed with no financial burden on him or her.

Declaring a responsible adult as a policy beneficiary is fairly simple. But at times, life insurance policies are purchased to protect loved ones who are unable to provide for themselves. When selecting a minor child or dependent adult as your beneficiary, specific steps may need to be taken (usually with the help of an attorney) to protect the financial interests of the beneficiary. Here are some things to keep in mind:

- In most cases, minor children should receive life insurance proceeds through an established children's trust. Specific guidelines for how funds should be dispersed can be set up, or definitions of how money should be used can be provided. A responsible adult should be named as guardian or trust administrator.
- A dependent adult may qualify for government assistance, such as Medicaid or Social Security. If life insurance proceeds are received directly, the beneficiary may lose government benefits. Working with an attorney to establish a special needs trust can protect the beneficiary's access to government assistance, while allowing him or her to receive the funds you have designated.

Once you have a life insurance policy, it's easy to forget about. And that's the way it should be. After all, you shouldn't have to think about it until you need it. But because life insurance policies are intended to remain in place for a long period of time, a lot can change. While your agent will do their best to advise any changes or updates, it's important to get in touch with your agent after any major life events. That way, your coverage is reviewed regularly and is kept up to date. Some things to keep in mind:

- Life events can change how you want your benefits dispersed. For example, the birth or adoption of a child, marriage, divorce, the death of a primary or secondary beneficiary or countless other life events can make your beneficiary designations inappropriate or out of date.
- In some states, called community-property states, a spouse may be required to waive rights to life insurance proceeds even when he or she is not the beneficiary. Consult an estate attorney to ensure that your wishes can be followed when naming a beneficiary other than a spouse in a community-property state.
- In addition to naming a primary beneficiary (or beneficiaries), a secondary beneficiary is important as well. For example, a spouse may be named as the primary beneficiary, with a children's trust as the secondary beneficiary. These back up beneficiaries are sometimes referred to as contingent beneficiaries.

When you're ready to designate a beneficiary, it's important you state their full legal name and provide any identifying information – such as an address or Social Security number. And as an added note: Keeping your policy current also includes informing your beneficiary about the policy, including where the paperwork is kept.

Want to start a conversation about selecting life insurance beneficiaries? Find an agent near you.