

beneficiary

REVIEW TIPS

One of the most important decisions to make regarding life insurance is to whom to leave your benefits. That's why it's important to review your beneficiaries every few years.

1. **Know the two types of beneficiaries: Primary & Contingent (Secondary)**

Primary beneficiaries receive a portion or the whole policy benefit if they outlive you. Contingent beneficiaries (also referred to as secondary beneficiaries) receive proceeds if a primary beneficiary dies before you.

2. **Designation percentages**

If you name more than one beneficiary in either category, you should include the percentages of the death benefit proceeds that you would like each individual to receive, or stipulate "equal shares" to each.

3. **Who can be a beneficiary?**

You can name your spouse, domestic partner, children, grandchildren, relatives, friends, charities, businesses, trusts or your estate as your beneficiary. Naming individuals rather than an estate allows those individuals to receive the proceeds immediately and, generally, without taxation. As part of your estate, however, proceeds typically will go through probate with the rest of your assets and might be subject to estate taxes. Your will does not affect the distribution of your life insurance proceeds unless the sum goes to your estate to be divided according to the will. Check with your insurance agent, tax advisor or family lawyer if you have questions about how the life insurance benefit will be paid following your death.

Source: NAIC Consumer Alert; Life Insurance—Reviewing Your Policy Important to Securing Your Family's Future;
http://www.naic.org/documents/consumer_alert_life_insurance_review.htm



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TIPS FOR NAMING BENEFICIARIES

Once you know who your beneficiaries are, here are a few tips you should keep in mind:

- **Spouse:** You should use the individual's legal name, as in "John Wayne Johnson," rather than "husband." In case of a second marriage, "husband" could be interpreted either as the husband when you bought the policy or the current husband. When reviewing your policy, think about who will be in the best position to make financial and other important family decisions upon your death.
- **Children:** You should qualify a specific class of individuals, such as "my children," by the use of either "*per stirpes*" (according to the family tree or branch) or "*per capita*" (per head). A designation of "my children per stirpes" means that if your two sons have two children each, and your oldest son dies before you do, his children will each receive his share of your benefits. A designation of "my children per capita" means that the living son, in the case above, would receive the full amount and your oldest son's family would receive none of the benefit.
- **Minor Children:** Most insurance companies will not pay life insurance proceeds to minors. If any of your children are minors, one of your options is to designate a trust as the beneficiary, with an individual or institution to use the funds for the welfare of your children. You will need to set up your trust(s) carefully, with your family attorney or tax advisor's assistance. Another option is to designate two individuals whom you trust as beneficiaries, who will make joint decisions about the care and welfare of your children. As your children mature, you should update your beneficiaries accordingly.

If you are the owner of your life insurance policy, in most cases you can change beneficiaries at any time by completing a formal, written notification to your insurance company. During a regular review of your life insurance policy, take into consideration changes in your life, relationships and family — such as births, adoptions, marriages, remarriages, divorces and deaths — when updating your beneficiaries. Your family attorney, tax advisor or insurance agent can help you use specific wording to avoid unintended consequences.

For more help and information on choosing beneficiaries, please contact the life insurance agent who sent you this tip sheet.

This tip sheet is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Underwriters Marketing Service, and their representatives and employees do not give legal or tax advice. You are encouraged to consult your tax advisor or attorney.