



# Choosing a life insurance beneficiary

## Frequently asked questions

Naming a beneficiary is one of the most important parts of getting life insurance coverage, but it's frequently treated as an afterthought. It shouldn't be. The entire purpose of getting life insurance is to help take care of the people and causes you love — your beneficiaries — if something happens to you. In fact, the purchase process isn't complete until you name one or more people who you want to receive the life insurance benefit.

### What is a beneficiary?

- A beneficiary is someone designated in your life insurance coverage to receive all or part of your death benefit.
- A beneficiary doesn't have to be a person — it can also be an entity, such as a church, charity, or family trust.

### Can I have more than one beneficiary?

Yes, you can choose to have more than one beneficiary.

If you plan to have more than one, you will need to determine how your death benefit will be allocated among the beneficiaries.

- You can allocate the proceeds to be evenly divided among all of the beneficiaries or designate one to get the largest share of the proceeds, with the others getting varying lesser amounts.
- The proceeds of your death benefit can be allocated by a dollar amount or percentage, such as 25 percent and 75 percent, as long as it totals 100 percent.
- The benefit of allocating the proceeds by percentage allows your beneficiary distribution amount to automatically update each time the benefit amount changes, for example, if your life insurance benefit is a percentage of your salary.

### What are the types of beneficiaries?

- **Primary beneficiaries:** The person or people who are first in line to receive life insurance proceeds when the insured passes away. Then if any beneficiary dies prior to the insured, the benefit is paid to the remaining primary beneficiaries, or if none, to contingent beneficiaries.
- **Contingent beneficiaries:** The person or people next in line to receive the benefit if — and only if — the primary beneficiary dies. Contingents can also be designated as secondary beneficiaries, tertiary beneficiaries, and so on; a tertiary gets the proceeds if the primary and secondary both pass away before you do.

### Can anyone be named as my beneficiary?

Family members, friends, even charitable organizations, can all be designated as a beneficiary; but there are some limitations, especially if you're married. Here are some things to consider, depending on your relationship with a potential beneficiary:

- **Your spouse:** People who are married with children still living at home commonly designate their spouse as the only primary beneficiary. After all, the most common reason for buying a life insurance policy is to help protect your family's financial well-being. However, if you live in a state with common property laws, you may need your spouse's consent to name anyone other than him or her as your primary beneficiary.
- **Other family members:** It's common to divide the proceeds among a spouse and any adult children — but you can allocate a share to other family members. For example, if you have a parent who is financially dependent on you or a sibling with special needs, you could name that person as a beneficiary.
- **Friends:** This is not a problem (subject to the spousal permission caveat mentioned above). However, since friends can grow apart over the years, it's very important to provide as much identifying information as possible (such as address, phone number, and Social Security number, when designating them as a beneficiary).
- **Minors:** Minors cannot legally manage their own money. If you are unmarried with minor children and want to name them (or any other person below the age of legal consent), you should name a legal guardian as the beneficiary or designate one for them under the Uniform Transfers to Minors Act. In any case, you should know that the proceeds will not be paid until the court appoints or approves the minor's guardian.
- **Your estate:** You can choose to leave all of the policy's proceeds to your estate, where they will be distributed after probate by your executor. Before doing so, you should discuss the tax implications with your accountant or financial professional.
- **A trust:** A trust is an entity that can hold assets over time with a trustee that you designate to distribute funds according to the conditions you set, for example, to take care of a family member with special needs or pay educational costs for grandchildren of different ages. You will need to set up the trust with an attorney beforehand, and you should discuss the tax implications with your accountant or financial professional.
- **A charity:** A charity or nonprofit organization can be named as a primary or contingent beneficiary.
- **An employer:** In most states, an employer cannot be named as a beneficiary for group life benefits.

## What identifying information do you need to know about your beneficiaries?

It isn't enough to just provide a beneficiary's name, because people can and do change their names over time. To make it as easy as possible to identify the correct person when it comes time to distribute your future death benefit, years or decades down the road, we recommend that you provide the following for each beneficiary:

- Full name, correctly spelled, including any middle names
- Any maiden or former names
- Date of birth
- Social Security number
- If not a US citizen, the beneficiary's nationality and passport number

## How do I choose my beneficiaries?

That is an entirely personal question, and there is no wrong answer. But if for whatever reason, your beneficiary choice isn't immediately clear, it may help to answer these questions.

1. What stage of life are you at?
2. What is your purpose for getting life insurance?
3. Do you trust the person to use the proceeds appropriately?
  - If you are married with young children who depend on your income, you may want to name your spouse as the primary beneficiary, so he or she can use the money to support your family in the best way possible.
  - If you are recently divorced with minor children you may consider leaving the proceeds to a trust set up for the care of your children.
  - If you are young, you may wish to name your parents as beneficiaries to provide them with needed extra help, or as reimbursement for student loans they are paying off on your behalf.
4. Are there any charitable causes or organizations that you want to support with your life insurance benefit?

## What if you want to change a beneficiary?

Check with your employer and ask for instructions on how to obtain a beneficiary designation form.

## When is it a good time to update your beneficiaries?

- When life events occur, such as a move, purchase of a home, a marriage, or adoption or birth of a child.
- Beneficiary changes are often overlooked following a divorce, remarriage, or after the death of a loved one who may be listed as one of your beneficiaries.
- Divorce may revoke a designated spouse's right to receive a benefit in some jurisdictions, so you may need to redesignate with an updated relationship (from "spouse" to "ex-spouse") if you would like the designation to remain in effect.
- During your employer's annual enrollment is a good time to revisit the details of your accounts and insurance policies to ensure your beneficiaries are up to date.

## What if you don't name a beneficiary?

If you don't designate a beneficiary, it may be unclear who is entitled to the funds, which can delay payment. In the absence of a named beneficiary, the life insurance proceeds will be distributed according to the terms of the policy, which could include your estate.

## Who can I call with questions or if I need more information?

Contact us at 800-525-4542. Guardian representatives are available to help you Monday through Friday, 8 am to 8 pm (ET).