



# **SGLI Beneficiaries**



## **Naming a Minor, Custodian, or Trustee as Your Beneficiary: What You Need to Know**

Warning: Failure to properly name a beneficiary will cause the insurance proceeds to be paid to certain prioritized surviving family members in accordance with federal law.

### **Naming a Beneficiary Who is Not a Family Member or Parent**

- If you are likely to be survived by family members or parents and name some other person or organization as a beneficiary, you must be counseled in person.

### **Naming a Minor as a Beneficiary**

- SGLI proceeds cannot be paid directly to a minor unless the minor is your spouse. Although you can still name a minor as a beneficiary, there are advantages and disadvantages.
- Advantages:
  - Naming a minor is quick because no will or trust document needs to be prepared or executed, and there is no trustee.
  - A court will decide and designate the best qualified person to act as custodian of the SGLI proceeds.
- Disadvantages:
  - To access SGLI proceeds for the benefit of a minor, a court must designate a guardian. However, this person may not coincide with your wishes.
  - Surety bond usually required.
  - Some states limit the amount of money that can be used on behalf of a minor unless court approval is first obtained.
  - Certain bond, court, and legal expenses will be paid out of the SGLI proceeds until the minor reaches majority.
  - All SGLI proceeds will usually be paid at age 18 regardless of the beneficiary's maturity level.

### **Naming a Custodian for a Minor as a Beneficiary**

- You may name a custodian under the Uniform Gift to Minors Act (UGMA) or the Uniform Transfer to Minors Act (UTMA), which lets you make gifts to a minor without creating a trust. Before naming a custodian, you should obtain consent from the person or institution that will act as the custodian. If it appears that this process will be lengthy, however, it is preferable to first, directly name a minor as the beneficiary, and later, execute a new SGLV 8286.
- Advantages:
  - No required court involvement to pay SGLI proceeds.
  - No delay in distribution of SGLI proceeds, normally.
  - You determine who will act in the minor's best interest, not a court.
  - Custodian has discretion in how to use the proceeds.
  - Custodian may not be required to post a surety bond.
- Disadvantages:
  - Usually, all SGLI proceeds must be paid to the minor at age 18 regardless of maturity level.
  - No automatic court supervision of the custodian.

## Naming a Trustee Under a Will

- You must have a signed will that contains a trust. The trust may be created for minors or adults.
- Advantages:
  - No surety bond required.
  - You can specify how the SGLI proceeds should be used.
  - The proceeds can be held beyond the point of when minor turns 18 years of age.
- Disadvantages:
  - The will may be probated due to other assets and a court will need to appoint a trustee before the named trustee can receive SGLI proceeds.
  - Lack of a surety bond could make minor's fund vulnerable to theft, fraud, or waste by the trustee.

## Naming a Trustee Outside of a Will

- You must have a signed trust document. The trust may be created for minors or adults.
- Advantages:
  - No required court involvement to pay SGLI proceeds.
  - No surety bond required.
  - No delay in distribution of SGLI proceeds, normally.
  - You can specify how the trustee should use the SGLI proceeds.
  - The proceeds can be held beyond the point of when minor turns 18 years of age.
- Disadvantages:
  - No court supervision of the trustee.
  - Lack of a surety bond could make minor's fund vulnerable to theft, fraud, or waste by the trustee.
  - You will likely have to pay a civilian lawyer to draft and execute a trust document.

## Failure to Name a Beneficiary

- Under federal law, if there is no named beneficiary or if the beneficiary designation fails (the named beneficiary is deceased or refuses acceptance the proceeds), the determination of the payment(s) of SGLI proceeds follows this order—
  - Widow or widower; if none, to—
  - Child or children in equal shares with the share of any deceased child distributed among the descendants of that child; if none, to—
  - Parents in equal shares; if none, to—
  - The executor or administrator of the Soldier's estate; if none, to—
  - Other next of kin.

## For Additional Resources

- Please see Army Regulation 600-8-1.

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