

Understanding Beneficiaries



What is a Beneficiary?

A beneficiary is a person or entity who will receive the death benefit from your policy if you die. The death benefit is also called the coverage amount or policy proceeds. You will probably be asked to select a beneficiary if you have one of these kinds of accounts:

- Annuity contracts
- Individual retirement accounts (IRAs), 401(k)s, and other retirement accounts
- Life insurance policies

Types of Beneficiaries

Beneficiary Type	Definition
Primary	The primary beneficiary is the first in line to receive the policy benefit if you die. The most common arrangement is spouse/spouse. The first spouse is the insured person and the second spouse is the primary beneficiary
Contingent/ Secondary	The contingent beneficiary is the second beneficiary in line to receive the policy death benefit and will only receive the benefit in the absence of a primary beneficiary . An example would be when the insured person and primary beneficiary die at the same time.

You Can Have Multiple Beneficiaries

A policy can have more than one beneficiary. You can designate multiple beneficiaries of **each type (Primary & Contingent) for your policy**. When selecting multiple beneficiaries, you will need to:

- Make sure the percentage split between all beneficiaries **in each category (Primary & Contingent)** total up to 100 percent.
 - All Primary beneficiaries must = 100%; all Contingent beneficiaries must = 100%
 - **Example:** If one primary beneficiary is to receive 50 percent, the remaining primary beneficiaries **combined** must receive the remaining 50 percent

EXAMPLES OF MULTIPLE BENEFICIARIES:

PRIMARY BENEFICIARY BREAKOUT		
Type	Beneficiary	Benefit Amt (%)
Primary	Spouse	80
Primary	Parent	20
TOTAL		100

CONTINGENT BENEFICIARY BREAKOUT		
Type	Beneficiary	Benefit Amt (%)
Contingent	Child	50
Contingent	Sibling	25
Contingent	Sibling	25
TOTAL		100

Minors as Beneficiaries

If you're going to leave money to minors, it's even more important to speak with an estate planning attorney. Generally speaking, minors are not allowed to enter contracts and can't legally own property, and therefore can't own certain types of accounts. However, there are ways to ensure that money goes to a minor or is spent for their benefit, including **pre-appointing a trustee**. **Individuals with minor children are encouraged to research and speak with professionals regarding this issue.**

Irrevocable Beneficiaries

If you designate someone to be the **irrevocable beneficiary** of your policy, he or she, by definition, **cannot be removed as beneficiary involuntarily (without his/her consent)**. A policyholder can be ordered by a court to designate his or her ex-spouse as an irrevocable beneficiary. Most often, this is seen in cases where there are dependent children, child support, or alimony involved. Policyholders may not make changes to court-ordered irrevocable beneficiaries without legal approval.

- An irrevocable beneficiary is a more iron-clad version of a beneficiary. Their entitlements are not subject to change and are guaranteed.
- Changes in a policy must be made before death, or else the irrevocable beneficiary is entitled to whatever assets are listed, regardless of divorce.
- Depending on the individual case a court may rule to make someone an irrevocable beneficiary so that child support payments are secured.

