

## Choosing Beneficiaries



An important part of applying for a life insurance policy – and maintaining it once it's active – is designating who you want to be the beneficiary (or beneficiaries) of your policy. The primary purpose of most life insurance policies is to cover any final expenses after your passing and provide for loved ones who rely on your income. Designating and updating your policy's beneficiaries is an important step toward ensuring the death benefit is used for your intended purposes.

A beneficiary is the person or legal entity that will receive the death benefit from an active life insurance policy when the insured passes away. The owner of the policy, who may also be the insured, names the beneficiary. This is true regardless of what the insured's Last Will and Testament states, meaning that the designated policy beneficiary will take precedence over a will when determining who receives the insurance benefit.

Typically, individuals name the person(s) who would be most financially impacted by their death – often a spouse or child(ren). However, you could also name a parent, a business partner, or just about anyone who has a financial interest in your life. In fact, beneficiaries do not have to be individuals. You could designate a business, charity, or legal entity, like a trust.

There are two types of beneficiaries:

- **Principal (or primary) beneficiaries:** The principal beneficiaries are those who are designated to receive all or a portion of the death benefit upon the death of the insured.
- **Contingent (or secondary) beneficiaries:** Contingent beneficiaries are backup beneficiaries, who will receive all or a portion of the death benefit if the principal beneficiaries are not living at the time of the insured's death.



If there is no surviving beneficiary, the death benefit is payable to the deceased's estate. This slows down the disbursement of the death benefit as the estate goes through probate and the court system decides how to allocate the insured's assets and to whom they will be given.

### **Designating a Beneficiary**

You first designate your beneficiaries when you apply for a life insurance policy, so you should put some thought into whom you would want to receive the death benefit when you first start receiving quotes.

There is no hard and fast rule for deciding who to designate as your beneficiaries. Your choice should be tailored to your family, your financial situation, and your goals for what the death benefit may provide. Think about whom you trust to be in charge of making final arrangements and ensuring that family finances are in order. These people, who often would be taking care of your estate or who will be most financially impacted by your death, make good candidates for beneficiaries.

Consider, too, family status. If you are:

- **Unmarried**, consider a parent, partner, or sibling – someone whom you trust to manage your estate after your death.
- **Married**, your primary beneficiary will likely be your spouse – especially if you own property or if your spouse relies on your income to pay for living expenses. A parent or sibling may be considered as a contingent beneficiary.
- **Married with children**, your spouse may be your primary beneficiary, but you should also determine how the life insurance payout will benefit your children if you and your spouse were to both pass away. A trustworthy family member, such as a parent, sibling, or a designated guardian or trust can be selected as a contingent beneficiary for minor children.
- **Unmarried with children**, consider a trust or a guardian for minor children, and possibly a parent or a sibling as a contingent beneficiary.

Minor children cannot receive a payout from a life insurance policy until they reach adulthood; depending on the state, this can mean waiting until they are between 18 and 21 years old. To ensure that the life insurance proceeds are available to provide for your minor children financially, you could designate a trust as the beneficiary of the policy. Within the trust, you can create rules about when children get access to their portion death benefit. You could also name a guardian for the minor children as the beneficiary and provide them with instructions for how to disburse the payout to the children.

**Note:** In community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin), if you are married and wish to designate someone other than your spouse as your beneficiary, your spouse must waive their rights.

**If you have multiple principal beneficiaries**, you can divide the benefit equally among them, or designate how much of the death benefit each gets. The same goes for contingent beneficiaries. Typically, if you do not make a specification or if you have multiple principal beneficiaries and one passes away before the policy is paid out, the death benefit will be split equally among the remaining principal beneficiaries.

### **After You Have a Policy**

Your job is not done after your policy is activated and your beneficiaries are selected. There are two things you should do while your policy is active:



1. Tell your beneficiaries that they are your beneficiaries. It can be awkward to talk about death, but make sure that your beneficiaries are aware that they are listed on your policy. Make sure they know details of the policy, including the name of the insurance provider and who to call in the event of your passing. Your beneficiaries will need to provide the insurance company with a certified copy of the death certificate to begin the claims process.
2. Review your beneficiaries every time something big happens in your life, like marriage, divorce, birth of a child, death of a loved one, buying a house, etc. These life changes may affect who you wish to be your policy's beneficiaries – you wouldn't want the death benefit to be paid out to the wrong person because you did not update your selection. You can change your beneficiaries by requesting a Change of Beneficiary form from your insurer. Simply fill out the form with updated information and return it.

At Navy Mutual, we recognize that addresses change frequently. The best way for us to find a beneficiary is with their date of birth and their Social Security number. Ensure these are accurate and on file each time you [update your beneficiary designation](#).

Navy Mutual is here to help. We provide unparalleled beneficiary services to families and loved ones and keep the promises we make to policy owners and the insured. We proudly do everything in our power to provide life insurance and annuities to servicemembers and their families. [Get a quote](#), [schedule an appointment](#), or email us at [counselor@navymutual.org](mailto:counselor@navymutual.org) today.