

Beneficiary Designations

Are Your Beneficiary Designations Current?

Life stages such as marriage, having children and then grandchildren, a death in the family, divorce, remarriage, etc. can trigger the need to reassess and update your life insurance beneficiary designations. Additionally, a periodic review of the beneficiary designations on retirement plans such as state retirement, 401k, IRAs, deferred compensation and annuities is also recommended. Similar yet separate consideration should be given to any need to update your Will as circumstances change.

The beneficiary clause in a life insurance contract grants the policyowner the right to name the beneficiary to receive life insurance proceeds upon the death of the insured. Typically, the initial beneficiary designation is made at the time of policy application. Subsequent beneficiary changes can be made with written request to the insurance company by the policyowner, assuming the prior designation is revocable. An irrevocable beneficiary designation can only be changed with the written consent of the beneficiary. If an irrevocable beneficiary dies before the insured, the rights of policy ownership pass to the insured for subsequent designation of the beneficiary.

When the policyowner is also the insured, anyone can be named as beneficiary regardless of insurable interest. The policyowner can name more than one beneficiary and designations may be primary, contingent, and tertiary. If more than one primary, contingent, or tertiary beneficiary is designated, the share percentages are indicated for each and can be equal or unequal shares. A contingent beneficiary receives the death benefit only if there are no primary beneficiaries living when the insured dies. A tertiary beneficiary receives the death benefit only if there are no primary or contingent beneficiaries alive when the insured dies.

It is very common that close family members such as your spouse, children, grandchildren, parents or siblings are designated as beneficiaries in some capacity. Naming a trust as beneficiary to provide for minor children or grandchildren may be advisable over naming a minor as beneficiary. A charitable trust could be one's preference for beneficiary status. Neglect in updating your beneficiary designations as circumstances change could result in unintended consequences for others. Are your beneficiary designations current?