

Importance of naming a beneficiary



You think you have everything under control. You work hard, pay your bills on time, invest wisely and have life insurance. What if you passed away tomorrow? Do you know who would inherit your assets?

While not pleasant to consider, should the unthinkable happen, it is critical you are prepared. Part of that preparation is naming a beneficiary for your life insurance.

Did you know...

...for some life insurance, when no beneficiary is named, death benefit proceeds are paid in an order of preference, i.e., spouse, children, parents, siblings? Other life insurance have death benefits default to your estate.

...when the insured dies, beneficiaries are fixed and no changes can be made?

...the percentage interests of all primary beneficiaries must add up to 100%? This is true of contingent beneficiaries as well.

Why should I designate a beneficiary?

Life Insurance provides a benefit to a named beneficiary or beneficiaries upon the death of a person insured under a policy. Let's say you have life insurance coverage with a death benefit of \$100,000. That's a lot of money, which is why you want to make sure it is payable to the individuals you have specifically designated to receive those proceeds.

If you're prepared, you'll have named your beneficiaries and indicated the specific percentages each beneficiary is to receive. Doing so means they will likely have easier access to the death benefit's funds. This is especially important, since the death of a loved one often brings about unexpected expenses.

Be sure to designate beneficiaries when completing the initial enrollment form for coverage. Beneficiaries should be kept up to date and reviewed when life changes occur such as marriage, births and divorce. If you never get around to completing and submitting your beneficiary forms, your intentions have not been made clear. That means the death benefit will be paid as outlined in the certificate of coverage. If your estate is named, then the assets become a part of the overall estate and thus are retained until distributed by your executor or personal representative.

Can I name someone with special needs as a beneficiary?

Before naming a loved one with special needs as a beneficiary, consider the impact it could have on any government benefits he or she may currently receive. It is important to consult with a legal and/or tax advisor when considering naming a beneficiary and especially when naming a minor or individual with special needs as beneficiaries.

What are the roles in a life insurance contract?

There are three important positions in every life insurance contract:



Policy Owner

The person, entity, partnership or representative who owns the policy, and who has the ability to exercise the rights granted in the policy.



Insured

The person whose death triggers the insurer's obligation to pay the death benefits.



Beneficiary

The person(s) selected to receive the death benefits when the insured dies.

Primary beneficiary

The policy owner's first choice to receive the death benefits. This person must be alive at the time the insured dies in order to receive his/her share of the death benefit.

Contingent beneficiary

If the primary beneficiary dies before the insured does or doesn't qualify as a beneficiary under the policy, the contingent beneficiary is paid his/her share of the death benefits.

Things to remember

- Remember to periodically review and maintain your beneficiary designation. Don't "set it and forget it". The beneficiary named when life insurance is obtained isn't necessarily the right beneficiary at a later date.
- Consider naming contingent beneficiaries. It's important to have a "backup" plan. Contingent beneficiaries are just that—one or more persons who could receive your assets if your primary beneficiary dies or is not eligible.
- When naming minor children as beneficiaries, it's important to know that life insurance benefits cannot be paid directly to a minor. Some states have adopted the Uniform Transfers to Minors Act ("UTMA"), which allows a minor to receive such funds once a Custodian is named or if the amount payable is less than a specified amount based on specific state law. If the amount payable is greater than allowed under the UTMA, there are procedures in place to enable the life insurance proceeds to be held with the insurance company until the child reaches adult age.
- Remember to submit a new beneficiary designation form after a life event. Whenever a major life event takes place, such as a marriage, divorce or the birth of a child, take the time to review your beneficiary designations.
- When designating a beneficiary, be sure to clearly identify the beneficiary. Make the designation clear by stating the beneficiary's full name and relationship to the insured/owner (e.g. "Jennifer J. Johnson, Insured's daughter"). You also will be asked to provide their date of birth, Social Security Number, telephone number and street address.

Helpful tips

While beneficiary decisions may appear simple, they have the potential to become complicated and difficult to implement. Designating one's beneficiaries and reviewing them on a regular basis or when life events occur is important, as these designations are the mechanism for distributing the policy's federal income tax-free death benefit under current tax law.

Review your certificate of insurance and any riders for a complete description of beneficiary provisions, benefits, limitations, exclusions and termination of coverage.

This material is intended for general and educational purposes only; it is not intended to provide legal, tax or investment advice. Please consult an independent legal or financial advisor for specific advice about your individual situation.

This is a summary of benefits only. A complete description of benefits, limitations, exclusions and termination of coverage will be provided in the certificate of insurance and riders. All coverage is subject to the terms and conditions of the group policy. If there is any discrepancy between this document and the group policy documents, the policy documents will govern. To keep coverage in force, premiums are payable up to the date of coverage termination. Group Term Life Insurance is underwritten by ReliaStar Life Insurance Company of New York (Woodbury, NY), a member of the Voya® family of companies. Voya Employee Benefits is a division of ReliaStar Life Insurance Company of New York.

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