

Beneficiaries



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As the new year begins, we often make resolutions. These resolutions are usually to improve ourselves or to handle something that we may have been putting off. Often overlooked is reviewing the beneficiaries we have selected on various policies.

Simply defined, a beneficiary is the person designated to receive the benefits of the policy upon the death of the insured. This relatively simple concept can be quite complicated and should be reviewed regularly.

Applications for the Mutual Benefit Association (MBA) and most other life insurers include a section where the applicant designates who will be named as the beneficiary of the policy.

Some life insurance applications have specific language for the designation of a beneficiary or a default pecking order for who will be paid if the policy owner doesn't specifically name anyone. For example, "Death benefits will be paid to the spouse of the insured, if living. If the spouse of the insured is not living, death benefits will be paid to the living children of the insured, in equal amounts. If no spouse or children are living, death benefits will be paid to the estate of the insured."

A policy applicant is well advised to specifically designate a beneficiary on his or her life insurance policy. This will ensure that the person (or persons) whom they desire to receive the life insurance proceeds actually does. Each beneficiary should be identified as clearly as possible, using the full name, Social Security number and relationship to the insured. Providing this information can help in locating, and properly identifying, the beneficiary after the insured's death.

Choosing a beneficiary for a life insurance policy can be challenging, and no one can tell the applicant who to name. In addition, the applicant is not limited to having only one beneficiary. The "primary beneficiary" (or beneficiaries) of a life insurance policy is the first person (or persons) who will receive the benefits upon the death of the insured. More than one person may be named as primary beneficiary. A "contingent beneficiary" (or beneficiaries) will receive benefits only if the primary beneficiary predeceases the insured. This beneficiary is often called a secondary beneficiary. As with the primary beneficiary, more than one person may be designated as contingent beneficiary.

In a case where there are multiple beneficiaries on a life insurance policy, the proceeds generally are divided equally

among all beneficiaries. However, the applicant or policy owner, prior to the death of the insured, may designate a specific percentage or amount to be given to each beneficiary.

A beneficiary may be "revocable" or "irrevocable." Naming a beneficiary as revocable means that the policy owner has the right to change the beneficiary at any time (prior to the insured's death). If a beneficiary has been named as an irrevocable beneficiary, the policy owner may change the beneficiary only with the consent of the original beneficiary.

One consideration when deciding whom to designate as beneficiary is the person's age. Minors cannot legally manage their own money. A life insurance company cannot pay the proceeds of a policy to a minor. However, the policy owner can name a guardian for the minor and the insurance company can pay the proceeds of a life insurance policy to the minor's guardian, for the benefit of the minor.

A policy owner may choose to make the "estate of the insured" or the "insured's living trust" the beneficiary. If so, the life insurance company must receive a copy of the living trust prior to paying benefits. In addition, the executor of the estate or a trustee of the trust must complete all the forms for requesting the proceeds.

A will also is an important part of securing the financial future of family members, and it plays a critical role in helping them after the death of the insured. Listing life insurance policies in a will can help family members know that the coverage exists. However, life insurance proceeds will be paid to the beneficiary designated in the life insurance policy, regardless of what is stated in the will. That is why it is so important to specifically designate a beneficiary on life insurance policies.

Designating a life insurance beneficiary is not something that a policy owner should do once and forget. The policy owner should review the policy every few years and after major life events such as marriage, having children, or divorce.

It is wise to tell beneficiaries about life insurance policies. They should know where the policy is, how to obtain it, and how to contact the insurance company. This knowledge can aid the beneficiary at the time of the insured's death. It will save time and possible confusion during a very stressful period.

To update a beneficiary on an MBA life insurance policy, please contact the MBA home office for a beneficiary designation form or download it from the "MBA Brochures, Applications and Forms" page of the MBA website at nalc.org/mba. Simply complete the form and send it to the MBA home office.

For information regarding any of the MBA products, please call the MBA office toll-free at 800-424-5184, Tuesdays and Thursdays, 8 a.m. to 3:30 p.m., or call 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m. Eastern time. You may also visit our website at nalc.org/mba.