



## How to Choose a Beneficiary

There are many aspects to consider when designating a beneficiary – the different types of beneficiaries and the unique arrangements you can make for each. A beneficiary is the person or entity who receives your assets or the proceeds of your assets (like the “death benefit” from your life insurance) after you die.

A beneficiary is a very personal choice and will depend on your personal and financial circumstances. Some people see death benefits as protection for their loved ones; some people see death benefits more as a financial transaction – a transfer of wealth. Consider whether there are people who depend on you for financial support.

- Would any people who depend on you for support be able to manage the death benefits themselves? (For instance: are they minors, mentally competent, etc.?)
- Are there people who will bear expenses in the event of your death?
- Are there financial or personal considerations for wanting to ensure your death benefits are passed directly or indirectly to certain people or entities or institutions?
- Is there a charity that is very important to you that you want to receive the benefit?

### Who, or what, can be a beneficiary?

A beneficiary can be a person or an entity. A husband or wife is a common beneficiary designation, but you may also designate a non-spousal/non-legal partner, or another loved one. If you choose a non-spousal beneficiary, a spousal waiver may be required.

You can name:

- One, two or more people
- A trust you've set up, with the proceeds administered by a trustee
- Funeral homes along with other designated person(s) to make sure burial expenses are paid
- Oneida Enrollment Department along with other designated person(s) to make sure burial expenses are paid
- Your estate

It is important in some instances to be very specific. Use first, last, and middle names to avoid any confusion, and include dates of birth if required. When you designate beneficiaries, you have the final say over who receives your death benefit. **If you do not elect a beneficiary, the following sequence will apply:**

- Widow/Widower; if none, then
- Children (natural or legally adopted); if none, then
- Grandchild or Grandchildren; if none, then
- Parent; if none, then
- Brother(s) and Sister(s); if none, then
- Member's Estate

## **Primary, and Secondary or Contingent Beneficiaries**

Your primary beneficiary(ies) is first in line to receive your death benefit. If the primary beneficiary(ies) dies before you, a secondary or contingent beneficiary is next in line.

### **Contingent or Secondary Beneficiaries**

A contingent beneficiary is another option to consider. If your primary beneficiary dies before you, the contingent beneficiary will receive the benefits. This ensures your wishes will still be met if you are unable to change your designation.

### **Minor Children as Beneficiaries**

Generally speaking, a minor should not be designated as a beneficiary. In most situations, a better alternative would be to appoint a trustee to receive the insurance proceeds on behalf of a minor. The trustee is then responsible for managing and using the funds in accordance with your instructions. The laws covering minors and trustees are complex, and differ from state to state. If you want to leave funds to a child, ask an Attorney to help ensure your wishes will be met.

Also, if you name each of your children as beneficiaries, but have a subsequent child, that child would not be included in the distribution because he or she is not named as an actual beneficiary. To name them as a beneficiary, you must update your Beneficiary Designation Form.

### **Failing to Name a Beneficiary**

If you do not choose a beneficiary, the funds will go directly to the first person named in the naming sequence as identified earlier in this document, which may be someone to whom you did not intend to leave your life insurance proceeds. For instance, if you do not choose a beneficiary, your state's laws may determine who receives your life insurance proceeds.

Choose your life insurance beneficiary(ies) carefully. Make a designation after learning about the process and your options, and only after conferring with advisors. Naming a beneficiary ensures that the proceeds from your insurance policy will go to that individual(s). Designating a beneficiary will insure the proceeds will not be part of your estate, and will not be subject to the claims of creditors.

### **Can I change my beneficiary(ies)?**

- You can change your beneficiaries at any time. It is wise to periodically review your insurance, financial, and estate planning needs, especially in the event of major life changes, such as marriage, divorce, the birth of a child, a child becoming an adult, etc.
- Other changes in your life do not automatically change your beneficiary. For instance, if you name your spouse as a beneficiary and then divorce, the beneficiary designation does not change simply because you're legally divorced. Your former spouse will still be your designated beneficiary unless a new Beneficiary Designation Form is completed and submitted.

It's possible to name an "irrevocable beneficiary." This means that, while that person is living, you cannot change the beneficiary designation without his or her consent. Consult with your advisors on this issue.

## Consider This...

When naming beneficiaries, please keep the following in mind:

- **State and policy restrictions** – Some states may restrict who you can name as a beneficiary. For example, some states have a marital property law that may require payment of benefits to your spouse. Your spouse must waive the right before you can name someone else as the beneficiary.
- You should consider discussing your beneficiary designation with your advisors at annual reviews, in the event there has been a change in your beneficiary decision.

## Wills and Trusts

Naming a beneficiary for your life insurance is separate from your will and other estate-related documents. In fact, naming a beneficiary on a life policy (or other asset) can mean it is paid directly to your beneficiary and does not have to pass through your estate. If you have a will and it is in disagreement with your Beneficiary Designation Form, the Beneficiary Designation Form will take priority over your will. The beneficiary(ies) named on your designation form will receive the proceeds.

In consultation with your advisors (attorney, etc.), you may or may not want to mention your life insurance policy and its beneficiary in your will and other documents.

You can use a trust as your beneficiary. A trust is a legal document that transfers money from one person (grantor) to another person (trustee) or institution (such as a bank) to be managed for the benefit of a third person (beneficiary.) Trusts are particularly useful if you want to provide for minor children, disabled relatives, or people who might be legally incompetent to manage money themselves. If you decide to name a trust as your beneficiary, be sure that an actual legal trust document has been drawn up for you by a lawyer, or the insurance proceeds (money) can not be paid to the trust.

***IMPORTANT: This document is not intended to provide any legal advice; all members should obtain legal advice from their own legal representatives. This document is intended for informational purposes only.***