

CHILDREN AS SGLI BENEFICIARY DESIGNATIONS

The SGLI policy is the largest single estate asset for many members of our military community, and careful management of this resource is vital to effective estate planning. Servicemembers designate SGLI beneficiaries on the SGLV form 8286 which can be completed online, printed locally, and turned into the S-1 office. Note that beneficiary designations are not effective until they are accepted by the unit. Naming persons over the age of 18 as beneficiaries is a routine matter that causes the policy proceeds to be paid to the beneficiaries immediately following the death of the insured. If no beneficiary is named, proceeds will pay out to the following beneficiaries in the order listed: a) spouse; b) children; c) parents; d) executor of estate, or e) next of kin.

However, Soldiers frequently desire to leave proceeds to minor children (often times as alternate beneficiaries or as primary beneficiaries in blended families). **Usually, naming a minor as a direct beneficiary to a life insurance policy is not the best way forward.** Those who wish to leave SGLI assets to minors can do in several different ways. (Note that each option carries different results that should be thoroughly considered by the Soldier with JAG before any decision is made.)

1) Testamentary Trusts. To fund a testamentary trust with SGLI proceeds, the SGLV 8286 should be completed to read; "To the trustee of the testamentary trust created in Article ____ of my last will and testament, for the benefit of (name of minor). If no trust, then to (name of child(ren) directly." Note that in such cases, payments can be made only through the probate process, which can take time.

2) Uniform Transfers to Minors Act (UTMA) accounts. When used, SGLI will immediately pay insurance proceeds to UTMA custodians. Each state has adopted a version of the UTMA, which creates statutory trusts for funds transferred to minors. Custodians of UTMA accounts may use the property to for the benefit of the minors, and are required to exercise the standard of care that would be observed by a prudent person dealing with person's own property, but are not subject to any other fiduciary responsibilities. UTMA funds are transferred to the minor upon the child's 18th birthday, unless the number (21) is reflected in the designating language (as in the following sample). To make SGLI transfers under the UTMA, the SGLV 8286 should be completed as follows: "To (name of custodian) as custodian for (name of minor) under the (name of state) Uniform Transfers to Minors Act (21)."

3) Minor child named as direct beneficiary. SGLI pays to child's court-appointed guardian of the child's property or conservator of the child's estate, as required by the laws of the state in which the child resides. Note that a parent with sole legal or physical custody (following a divorce decree) is normally not sufficient for SGLI to pay out. Most states require that a court designate a guardian of the child's property or conservator of the child's estate to receive insurance payments. This can take time, and resources of the family, and can result in delayed payments, and premature payment of proceeds to the child.