

When a life insurance policy owner/insured does not know how to structure the beneficiary designation to achieve his/her planning objectives, the estate is commonly named as beneficiary. Additionally, if no specific beneficiary is listed in the life insurance policy, life insurance companies generally default the beneficiary to the insured person's estate.

Problem:

Naming the estate as beneficiary generally requires the life insurance proceeds to pass to estate beneficiaries through the probate process which can result in:

- Unintended beneficiaries receiving the life insurance proceeds
- Delayed distribution of life insurance proceeds to heirs
- Life insurance proceeds becoming subject to creditors' claims
- Increased probate expenses and costs
- Court supervision of life insurance proceeds for minor beneficiaries
- Increased costs associated with court supervised life insurance proceeds held for minor beneficiaries
- Limited access to court supervised life insurance proceeds held for minor beneficiaries

Solution:

Designate a more efficient beneficiary such as:

- Adult Individuals as Beneficiaries
- Custodian for Minor Beneficiaries Under the Uniform Transfers to Minors Act (UTMA)
- Revocable Trust as Beneficiary
- Testamentary Trust Created in a Last Will and Testament

Beneficiary

Individual Beneficiary:

- Jane Doe, Spouse of the Insured
- Jane Jones, Partner of the Insured
- Jane Doe, DOB August 18, 1948

Minors as Beneficiaries Under UTMA:

- Jane Doe, Spouse of the Insured, as custodian for Andy Doe, Son of the Insured, under the [INSERT STATE OF RESIDENCE] Uniform Transfers to Minors Act

Revocable Trust as Beneficiary:

- ABC Trust Company, Inc., trustee, or its successor in trust, under the John Doe Revocable Living Trust dated July 8, 2009

Testamentary Trust in Last Will and Testament:

- Jane Doe, trustee, or her successor in trust, of the Ann Doe Testamentary Trust created under the Last Will and Testament of John Doe dated July 8, 2009, as admitted to probate