



SGLI BENEFICIARIES



The information provided in this document is meant for the sole use of Active Duty service members, retirees, their families, and those individuals eligible for legal assistance. The information is general in nature and meant only to provide a brief overview of various legal matters. Rights and responsibilities vary widely according to the particular set of circumstances in each case. Laws can vary across states, services, and civilian jurisdictions and laws are changed from time to time. Do not rely upon the general restatements of background information presented here without discussing your specific situation with a legal professional.

Naming a Minor as Beneficiary: A Warning

- Minor children (those under the age of 18) CANNOT directly receive SGLI proceeds.
- If you name a minor as a direct beneficiary of your life insurance policy, it will require a court to become involved to appoint a guardian. This can be a time consuming and costly process and, for that reason, may delay the payment of proceeds.

How to Properly Pass SGLI Benefits to a Minor

- The least expensive and simplest option to pass SGLI funds to your minor child(ren) is by using the UNIFORM TRANSFER TO MINOR'S ACT (UTMA) [most states] or UNIFORM GIFTS TO MINORS ACT (UGMA) [South Carolina and Vermont residents].
- The age by which money *must* be given to the minor varies from state to state, ranging from 18 to 25. Most states set the age at 21 (25 in California, Nevada and Arkansas). Until the child reaches the designated age, the custodian has the discretion to make payments to the child as necessary for maintenance, educational, and health expenses.
- To pass your SGLI payment to a minor using the UTMA or UGMA, use the following language on the SGLI beneficiary designation:

“[Name of Adult] as Custodian for [Name of Minor Child] pursuant to the [your child’s state of residence] Uniform Transfer to Minors Act” [All States except SC and VT]

“[Name of Adult] as Custodian for [Name of Minor Child] pursuant to the [your child’s state of residence] Uniform Gifts to Minors Act” [South Carolina and Vermont]

“[Name of Adult], as Custodian for each of my children, pursuant to the UTMA (or UGMA) of the state of [name of state], with distribution to each minor when that minor reaches age [desired age, which cannot be older than the statutory maximum of your state, usually age 21]”

- Advantages to using either the UTMA or the UGMA include: no court involvement, no delay in distribution of SGLI proceeds, Soldier gets to decide who will act in child’s best interest, rather than the court; and custodian can disburse SGLI proceeds as they deem appropriate.
- Disadvantage: Custodians MUST give the money to the beneficiary by the designated statutory age regardless of beneficiary’s maturity.



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Establishing a Trust and Designating a Trustee

- Alternatively, you may designate a Trustee to manage the SGLI proceeds for a minor. Before doing so, you must have executed a *will that contains a testamentary trust* or *have created a living trust*.
- Sample testamentary Trust Designations:

“[Name of Adult] as Trustee to fund a trust established for the benefit of my children under my will”

“To the Trustee to be named under my testamentary trust for the benefit of my minor children ([full name(s)], including my stepchild [full name])”

- You may also establish a *Living Trust*. This is the process of naming a Trustee or a trust that is created during your lifetime. If you choose this option, you must provide a copy of the trust agreement to the SGLI office. Sample trust language:

“[Name of Trustee], my trustee, pursuant to a trust agreement dated [date]”

Appointing a Guardian for a Minor Beneficiary

- Another, non-recommended option is to appoint a **Guardian**— someone who will safeguard the SGLI proceeds until the child reaches the age of majority (usually 18). However, be aware that appointing a guardian can result in: the delay in proceed disbursement; extensive court involvement; and certain expenses in establishing and administering the guardianship.
- The guardian must typically seek court approval before disbursing funds to minor children; but, the funds must be paid to the minor at age 18 regardless of maturity (or lack thereof).

Failure to Name a Beneficiary

- Under federal law, if there is no named beneficiary or if the beneficiary designation fails (the named beneficiary is deceased or refuses acceptance of the proceeds), the determination of the payment(s) of SGLI proceeds follows in the following order:
 - Widow or widower; if none, to:
 - Child or children in equal shares with the share of any deceased child distributed among the descendants of that child; in none, to:
 - Parents in equal shares; if none, to:
 - The executor or administrator of the Soldier’s estate, if none, to:
 - Other next of kin