



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.

General Information

Members covered under full-time SGLI should access the SGLI Online Enrollment System (SOES) to make beneficiary designations or to change previous designations. It is very important that you keep your list of beneficiaries up to date!

Frequently Asked Questions

Q. WHAT HAPPENS IF I DO NOT NAME A BENEFICIARY?

A. 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), SGLI proceeds will be paid out in the following order:

- a. The surviving spouse of the member; if none,
- b. The child or children of the member in equal shares, with the share of any deceased child distributed among the descendants of that child; if none, to,
- c. Parents in equal shares; if none, to,
- d. The executor or administrator of the Soldier's estate; if none, to,
- d. Other next of kin

Failure to name a beneficiary should be avoided, however, as failure to name a beneficiary could cause confusion later, especially if you have a unique family situation (e.g. if a member has a parent who has divorced and remarried).

Q. CAN I NAME MY MINOR CHILD AS MY SGLI BENEFICIARY?

A. Not if they are under the age of 18. 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, a court will need to appoint a **guardian** to safeguard the SGLI proceeds until the child reaches the age of majority (18 or 21 depending on the state). This can be a time consuming and costly process and, for that reason, may delay the payment of proceeds. Since costs will come out of your estate, this also could reduce the amount paid to your beneficiaries.

You can also choose to appoint your own guardian to safeguard the SGLI proceeds until the child reaches the age of majority (usually 18). However, this is also a time-consuming process with court involvement.

Two more efficient and cost-effective ways to pass benefits to a minor child are listed below.

Q. HOW CAN I PASS SGLI BENEFITS TO A MINOR USING THE UTMA OR UGMA ACTS?

A. The least expensive and simplest option to pass SGLI funds to your minor child(ren) is by using the *Uniform Transfer to Minors Act (UTMA)* [in most states] or *Uniform Gifts to Minors Act (UGMA)* [for 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. Until the child reaches the designated age, the custodian has the



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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:

“To [name of adult] as Custodian for [name of minor child] pursuant to the [your child’s state of residence] [UTMA or UGMA depending on your 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/UGMA include: (1) no court involvement, (2) no delay in distribution of SGLI proceeds, (3) the member gets to decide who will act in the child/children’s best interest, rather than a court, and (4) the custodian can disburse SGLI proceeds as they deem appropriate.

There is one major disadvantage to using the UTMA/UGMA: custodians *must* give the money to the beneficiary by the designated statutory age regardless of the beneficiary’s maturity. If this is an issue for you, you could consider creating a trust (see the next question) instead.

Q. WHAT IF I WANT MORE FLEXIBILITY THAN THE UTMA/UGMA CAN PROVIDE?

A. Alternatively, you may designate a Trustee to manage the SGLI proceeds for a minor. Before doing so, however, 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 dated [date of will].”

You may also establish a free-standing or living trust. This is the process of naming a Trustee or a trust that is created during your lifetime, before completing your SGLI form. 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]”