

# **Servicemembers' Group Life Insurance (SGLI) Frequently Asked Questions:**

## **Who should I name as my beneficiary?**

- You can name any person, trust, corporation, charity, church, or any other legal entity. Who you name is up to you.

## **What happens if I write “by law” as the beneficiary?**

- The federal law creating SGLI states payments made “by law” will be distributed in the following order of precedence: (1) surviving widow or widower; (2) children in equal shares; (3) parents in equal shares; (4) your estate and distributed in accordance with your last will and testament or by state law if you did not have a will.

The SGLI law defines widow/widower, child, and parent. However, those definitions do not include stepparents, and do not always include stepchildren, foster children, or illegitimate children. *If you want a person to receive your SGLI, you should specifically name them.*

## **What happens if I write “by will” as the beneficiary?**

- The money will be sent to your estate once your will is probated. Once in your estate, your SGLI money, just like all other assets in your estate, can be used to pay any unpaid debts or bills. We strongly recommend against the use of “by will” on your SGLI form. It can take months for your loved ones to get your money and, depending on how much personal debt you have, can result in your loved ones getting nothing.

## **My wife and I have two children but will have more in the future. How can I designate my unborn children as beneficiaries?**

- You appoint your children by name and update it after every birth or you can use one of the following examples: (1) To my child(ren) or (2) To my children from my marriage to (name of your spouse and/or ex-spouse).

## **Will my SGLI be paid to my minor child directly?**

- No. For more information on this, please consult the Minors as SGLI Beneficiaries handout.

(see reverse)

# Minors as SGLI Beneficiaries

## **I want my children to get the money, but I want to have control over how it is given to them. Can I put my SGLI into a trust? Is a trust the only option?**

A minor child will not receive SGLI directly. It will be paid to the guardian of their property to spend on behalf of the child. Once the child reaches 18, the remaining money will be turned over to the child. If desired, these steps can be avoided by putting the SGLI into a trust for the minor child. There are two trust options:

- **Free-Standing Trust:** A free-standing trust may be created for you by an attorney or a bank. This type of trust is separate and apart from any trust created under your will. You must create the trust **BEFORE** completing your SGLI form. The advantages of a free-standing trust are that the SGLI money can be directly deposited in the trust, there is no court oversight of the trust, and you can establish rules in the trust, including distributions of money at specific ages. For example, money could be held in trust until your children reach age 25. The disadvantages are you will have to pay to create the trust and, with no court oversight, your children may have little protection if the trustee mishandles the funds.

### **For SGLI to be deposited into a free-standing trust, you would write:**

- **To my trustee, (name), pursuant to a trust agreement dated (day) (month) (year)**
- **Testamentary Trust (Trust in Will):** A trust may be established in your will and funded with SGLI. You do not have to create the trust for a testamentary trust to be valid. The trust will be probated to create the trust and name the trustee. Advantages of a testamentary trust are that there will be some court oversight, you select your trustee in your will, and you establish rules for when money is distributed to your children. You can also choose whether to make the trustee post a bond to provide protection against fraud, waste or theft. The disadvantage of this type of trust is while it is being probated your children will not have access to the funds for several months.

### **For SGLI to be deposited in a testamentary trust, you would write:**

- **To my trustee, (name), to fund a trust established for the benefit of my child(ren) under my will dated (day) (month) (year)**
- **UTMA/UGMA:** The least expensive and simplest option to pass SGLI funds to your minor child is by using the UNIFORM TRANSFER TO MINOR'S ACT (UTMA) or UNIFORM GIFTS TO MINORS ACT (UGMA). All States, except South Carolina and Vermont have adopted the UTMA. South Carolina and Vermont still use the UGMA. The age by which money *must* be given to the minor varies state to state, ranging from age 18 to 25. Most states set the age at 21. CA, NV, and AK can be up to age 25. Until the child reaches the designated age, the custodian has the discretion to make some 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, you would write:**

- To [name of adult] as Custodian for [name of minor child] pursuant to the [your child's state of residence] Uniform Transfers to Minors Act [Uniform Gifts to Minors Act].**

*Note: The information in this handout is general in nature. It is not to be used as a substitute for legal advice from an attorney regarding individual situations. For more information, please contact the Langley Law Center at (Commercial) 757-764-3277 or DSN 574-3277.*