

## **KAFL U – Life Insurance – Beneficiary Types**

There are two basic types of life insurance beneficiaries:

### **Primary Beneficiary:**

Primary beneficiary is the person or (persons) who will receive the proceeds of the life insurance policy when the insured person dies. However, the primary beneficiary will not receive any proceeds if he or she dies before the death of the named insured.

### **Contingent Beneficiary:**

This is also known as the secondary beneficiary. The contingent beneficiary will not receive any of the life insurance proceeds if the primary beneficiary is still alive when the insured person dies. The contingent beneficiary is only entitled to receive proceeds if the primary beneficiary dies before the named insured.

There are two classes of beneficiaries known as revocable and irrevocable beneficiaries:

### **Revocable Beneficiaries:**

The owner of the insurance policy has the right to change the beneficiary designation at any time without the consent of the previously named beneficiary.

### **Irrevocable Beneficiaries:**

The owner of the policy cannot change the designation of the beneficiary without the consent of the original beneficiary.

Choosing Who Should Be The Beneficiary:

### **Family:**

One or more immediate family members who are dependent on the insured for income for both their income and financial support should be at the top of the list of potential beneficiaries, Primary and contingent family beneficiaries can include their spouse or domestic partner, children, brothers and sisters, or any other members of their family.

### **Legal Guardian:**

If the named beneficiaries are minors (under the age of legal consent), the insurance company may require that a legal guardian be named as the beneficiary. Alternatively, the insured can designate a legal guardian using the Uniform Transfers of Minors Act on their behalf instead of using a legal guardian.

**NOTE:** Even if you have named a guardian as beneficiary, the proceeds will not be paid until the court has specifically appointed a guardian or approved the named beneficiary as guardian for the minor(s).

### **Estate:**

The insured can name their estate as beneficiary. The proceeds will go to the Executor or Administrator of the estate. This is the person or entity designated in the insured's last will and testament, and who must be approved or designated by the Probate court. However, the insured can only use their estate as named beneficiary if they have drawn up a last will and testament and the insured has not named a specific person on the beneficiary designation of their policy.

**NOTE:** Naming the estate as beneficiary could have tax implications that should be discussed with their attorney and accountant.

### **Trust:**

A Trust can be used to receive insurance proceeds. A trustee would need to be designated and the trust beneficiaries named.

### **Charity:**

A charity can be either the primary or contingent beneficiary.

### **Key Person:**

The business purchases life insurance on a key person(s) in the company. This type of life insurance may be owned by the company, in which case the business is typically the beneficiary.

Multiple Beneficiary Arrangements:

### **Per Stirpes:**

Branches of the family or lineage are designated as beneficiaries. The life insurance proceeds would be divided equally among the beneficiaries and/or the surviving children of the beneficiaries.

**Example:** The insured (Mary) names her son (Bill) and daughter (Janice) as beneficiaries. Bill dies before Mary. Mary then passes away. The surviving daughter (Janice) would receive 50% of the proceeds and the remaining 50% would be apportioned equally to all of Bill's surviving children.

**Per Capita:**

The proceeds are divided equally among all survivors of the lineage line.

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