

## What is a beneficiary?

A beneficiary is the person or entity you name in a life insurance policy to receive the death benefit. You can name:

- One person
- Two or more people
- The trustee of a trust you've set up
- A charity
- Your estate

If you don't name a beneficiary, the death benefit will be paid to your estate.

### Two "levels" of beneficiaries

Your life insurance policy should have both "primary" and "contingent" beneficiaries. The primary beneficiary gets the death benefits if he or she can be found after your death. Contingent beneficiaries get the death benefits if the primary beneficiary can't be found. If no primary or contingent beneficiaries can be found, the death benefit will be paid to your estate.

As part of naming beneficiaries, you should identify them as clearly as possible and include their social security numbers. This will make it easier for the life insurance company to find them, and it will make it less likely that disputes will arise regarding the death benefits. For example, if you write "wife [or husband] of the insured" without using a specific name, an ex-spouse could claim the death benefit. On the other hand, if you have named specific children, any later-born or adopted children will not receive the death benefit—unless you change the beneficiary designation to include them.

Besides naming beneficiaries, you should specify how the benefits are to be handled if one or more beneficiaries can't be found. For example, suppose you have two children and you name each one to receive half of the death benefit. If one of the children dies before you do, do you want the other child to get the entire death benefit, or the deceased child's heirs to get his or her share?

If the death benefit goes to your estate, probate proceedings could delay distributing the money, and the cost of probate could diminish the amount available to your heirs.

Choosing beneficiaries, and keeping those choices up-to-date, is an important part of owning life insurance. The birth or adoption of a child, marriage or divorce can affect your initial choice. Review your beneficiary designation as new situations arise in order to make sure your choice is still appropriate.

Source: *Insurance Information Institute, Inc.* ([www.iii.org](http://www.iii.org))