

Designating SGLI Beneficiaries

Many soldiers seek counseling from Legal Assistance Offices regarding their estate planning goals. For most soldiers, SGLI proceeds are the largest asset they will pass on to their survivors. Unfortunately, many soldiers are not sure how best to provide for their family members upon their death. This article provides general guidance on alternative SGLI beneficiary designations and how these designations will best provide for family members.

The purpose of SGLI is to provide for immediate family members, including parents. You are encouraged, but not required, to name these individuals as your SGLI beneficiaries. If you are unmarried, you may name your parents, siblings, other family members, or friends as your beneficiaries. If you are married or have children from a prior marriage or relationship, you face a more complex decision.

Married service members often name their spouse as their primary beneficiary. They also frequently want to name their children as contingent beneficiaries. For members with children from a previous marriage or relationship, they normally provide for these children through their primary and/or contingent beneficiary designations. The following paragraphs discuss the advantages and disadvantages of alternative approaches to providing for minor children through SGLI beneficiary designations.

Guardian designated as SGLI beneficiary:

Some personnel name the individual chosen as the guardian for their minor children as SGLI beneficiaries. This designation has two major disadvantages. First, since the money is given directly to the guardian, it is subject to the claims of the guardian's creditors. Proceeds distributed directly to the guardian are available to the guardian's creditors to collect on any debts owed by the guardian. Second, the recipient of the SGLI proceeds, even though he or she may be the appointed guardian of the minor children of the service member, has no legal obligation to use these proceeds for the benefit of the children. Such a large and unrestricted sum of money provides a great temptation to the guardian at the potential expense of the member's surviving children.

Minor children designated as beneficiaries:

While you may designate minor children as SGLI beneficiaries, minor children cannot own property, including money, before they reach the age of majority (normally age 18) by law. When such a designation is made, the money will be entrusted to the children's court-appointed guardian. This could be an ex-spouse or the other biological parent. If you do not want to entrust an ex-spouse or the other biological parent with SGLI proceeds, you should consider another type of designation.

SGLI proceeds placed in UGMA/UTMA account :

You may leave your SGLI proceeds to a custodian of the funds for the benefit of the children pursuant to the Uniform Gift to Minors Act (UGMA)/ Uniform Transfer to Minors Act (UTMA). Under these Acts, the custodian of the funds is charged with using the proceeds for the health, welfare, education, and benefit of the minor children. Once the

children reach the age of majority (18), the funds will automatically be distributed to the children.

SGLI proceeds placed in trust:

You may leave your SGLI proceeds to your children in a trust. You may do this through a testamentary trust contained in an existing will. The advantage of a trust is that you may designate the age of distribution (e.g., 21, 25, 30, etc.) of the funds to your minor children.

Requirements to place SGLI proceeds in trust:

A current trust must accompany any SGLV-8286 designation of SGLI proceeds to a trust. Without a current trust, the proposed beneficiary designation is invalid and will not be executed by the private company that manages the SGLI program.

How to create a trust and change SGLI designation:

If you want to designate a testamentary trust as SGLI beneficiary, you should make an appointment with your local legal assistance office to execute a will containing a testamentary trust. After execution of the will containing the trust, you should execute a new SGLV-8286 through your unit PAC or the personnel section at your Central Processing Facility (CPF).

A final note on beneficiary designation:

SGLI proceeds pass outside of your will. Creating or updating a will does not normally affect your SGLI beneficiary designations. Since most service members opt for the maximum coverage (currently \$200,000), you should carefully consider your decision in selecting primary and contingent beneficiaries of your SGLI proceeds.

If you have any questions beyond the scope of this article or wish to draft and execute a will, please call your local legal assistance office to schedule an appointment with an attorney.

All information compiled from materials provided by the Judge Advocate General's School of the Army and Legal Assistance website, as well as, information provided by other Army Legal Assistance Offices and by the North Carolina State Bar's Special Committee on Military Personnel, in conjunction with the American Bar Association's Standing Committee on Legal Assistance for Military Personnel.