

Life insurance

Life insurance helps provide valuable financial support to loved ones when they need it most, like when they've experienced a loss. These loved ones can be your beneficiaries — the people (or person) who receive your life insurance policy benefits when you pass away.

Here are some tips to consider when naming a beneficiary — because decisions you make during this process can have certain effects:

- Be clear and specific to avoid ambiguity and potential conflicts.
- Review and, if necessary, revise your choices regularly — especially at times in your life when circumstances change, such as marriage, childbirth, divorce, career change, economic change, etc.
- Talk to your attorney and/or tax advisor to discuss the impact of your decisions.



Naming your beneficiaries

Frequently asked questions

Q: What does “primary beneficiary” mean?

A: The primary beneficiary is the person(s) you identify, or “name,” to receive life insurance benefits (“proceeds”) upon your death.

Q: What does “contingent beneficiary” mean?

A: The contingent beneficiary is the person(s) you name to receive life insurance proceeds in the event that the primary beneficiary passes away before or at the same time as you, the insured.

Q: What if I am married, live in a Community Property state, and want to name someone other than my spouse as primary beneficiary?

(Community Property states include: AZ, CA, ID, LA, NM, NV, TX, WA, and WI)

A: In these situations, we recommend that you have your spouse sign the Community Property Consent portion of the Beneficiary Designation form. This will provide consent on behalf of your spouse to waive any rights to the life insurance proceeds.

Q: Can I name a minor child(ren) as beneficiary?

A: We do not recommend naming minor children as beneficiaries, and we will not pay death benefits directly to minors. If a life claim is made, a benefit would be paid to the minor through a Uniform Transfers to Minors Act-approved account or to the guardian of the minor's financial estate. If an account does not exist or there is no established guardianship, the benefit will be placed on hold—it will be payable when the minor reaches the age of majority (the age when the child is no longer considered a minor).

Naming a trustee (person or institution of your choice) of a trust for a minor as beneficiary helps ensure the life insurance proceeds are competently managed. By naming a trustee of a children's trust as beneficiary, the proceeds would be managed by the trustee you choose.

Q: Can I name my estate as beneficiary?

A: Naming an estate as beneficiary is sometimes done to help pay estate taxes and other estate settlement costs. After taxes and settlement costs, any remaining proceeds are then distributed to heirs, according to the terms of your will. If you don't have a will, state laws dictate how the life insurance proceeds are distributed.

The disadvantage of naming an estate as the beneficiary is that the life insurance proceeds may increase the amount of estate taxes payable and may be subject to probate costs and creditor claims. The estate will also need to be established prior to any claims being paid.

Q: Can I name a will as the beneficiary?

A: If you name a will as the beneficiary, the will needs to specifically state the insurance carrier's group life policy and how the proceeds should be distributed. This is not advisable — your employer may switch group life carriers from time to time. A will may also need to go through probate (a procedure in which a will is approved by a court of law) prior to being validated.

Q: Can I name an irrevocable trust as beneficiary?

A: When an irrevocable trust is the named beneficiary, proceeds are paid into the trust rather than your estate. If all applicable estate tax rules are met, this can result in significant estate tax savings for larger estates, since the proceeds are not included in the taxable estate. Plus, when you establish the trust, you determine how proceeds should be used.

The disadvantage is that you surrender control over the trust and the policy, including the right to change the beneficiary. Since the trust is irrevocable, it cannot be altered once established.

Q: Can I name my employer as the beneficiary?

A: Most states do not allow an employee to name their employer as the beneficiary of group life insurance proceeds.

Q: Are group term life insurance proceeds taxable?

A: Group life insurance proceeds are generally not taxable to the recipient (your beneficiary), regardless of the amount. Interest on the amount payable to your beneficiary is the only taxable portion.

Q: Can I name a charity as the beneficiary?

A: You may name a charitable organization that is not your employer as a beneficiary. You will need to indicate the name of the charitable organization, a contact for the organization, the organization's tax identification number, and the percentage of benefit that would be payable to the organization.

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