



# Beneficiary Basics

Six steps to maximize your term life insurance and get your benefit into the right hands.

## 1. Choose wisely

You can name anyone a beneficiary of your life insurance, however, in nine states (AZ, CA, ID, LA, NV, NM, TX, WA, WI), your spouse must sign off on anyone else you choose. If you choose to have multiple primary beneficiaries and one dies before you, the benefit will go to your remaining primary beneficiaries. If there are no surviving beneficiaries then the benefit would go to your back-up, or contingent, beneficiaries. Keep in mind, you can't name a funeral home or your employer as beneficiaries. If you have term life insurance for your spouse or dependent, you will always be the beneficiary.

**1. Source:** 2020 Insurance Barometer Study, LIMRA and Life Happens



More than a quarter of U.S. households would feel the financial impact from the loss of their primary wage earner in a month or less.<sup>1</sup>

**\$6 billion**  
OneAmerica® paid out  
\$6 billion in benefits  
in 2019.

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## 2. Be thorough

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When you choose your beneficiaries, be sure to list names, Social Security numbers, birth dates and addresses so we can easily find your beneficiary(ies) when we need to. The beneficiary designation form must be dated and witnessed by someone other than your beneficiary(ies).

## 3. Don't forget to update

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Be sure to revisit your beneficiary designations whenever you have a big life event, such as marriage, divorce, new baby or if one of your beneficiaries dies.

## 4. Use extra care when your beneficiary is a child

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We don't pay life insurance proceeds directly to minors. If you'd like to leave your benefit to someone under 18 (19 in AL and NE; and 21 in MS and Puerto Rico), work with an attorney or financial advisor to set up a trust. Or take steps to legally appoint a trustworthy adult to be responsible for managing the money on behalf of the minor. If you leave your life insurance benefit to a minor without a trust or guardianship, it can take longer and be more expensive to get your benefit into the right hands.

## 5. Avoid unnecessary taxes

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Most of the time life insurance benefits are tax-free, but anyone who receives Supplemental Security Income or Medicaid can be disqualified from those benefits if they receive \$2,000 or more as a gift or inheritance. If you want to give your death benefit to someone receiving those government benefits, work with an attorney to set up a special needs trust and name that trust as your beneficiary.

## 6. Save your loved ones time and money

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Keep in mind that if you name your estate as your beneficiary, or if you list a beneficiary who's not living, your loved ones will likely spend valuable time collecting required documents and their own money on attorney and court fees.

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To choose your beneficiary, visit the Forms section on [employeebenefits.aul.com](https://employeebenefits.aul.com), click on the Life tab, download and complete the beneficiary designation form, and turn it into your employer.

## Sample beneficiary designations

The beneficiary wording should be absolutely clear and without question as to whom the proceeds are to be paid. Listed below are sample beneficiary designations. Please note state laws may prohibit naming certain entities and individuals as a beneficiary. If you live in a community property state, you should obtain the signature of your spouse if your spouse will not be named as a primary beneficiary. Community property states currently include: AZ, CA, ID, LA, NM, NV, TX, WA and WI.

To ensure the correct individual or entity receives the benefits and the intended benefit amount, please provide the following:

- The beneficiary's Social Security number or Tax Identification number and date of birth.
- Distribution of proceeds should be shown in fractions or percentages if multiple beneficiaries are designated, and should add up to 1 if using fractions or 100% if using percents. Do not list dollar amounts as the amount of the insured's life benefit may change. If no distribution is shown, benefits will be divided equally among the living beneficiaries.

## Acceptable beneficiary designations

- 1.** One Beneficiary - State the full name and relationship to the insured. Sample: John Doe, husband
- 2.** Two Beneficiaries in Equal Shares. Sample: Jane Doe and Mary Doe, cousins, in equal shares, or their survivors.
- 3.** Three or More Beneficiaries in Equal Shares. Sample: Jane Doe, Mary Doe, and Richard Doe, cousins, in equal shares, or their survivors.
- 4.** Two Beneficiaries in Succession - If the primary beneficiary dies, the second person named will receive the proceeds and is known as the contingent beneficiary. Sample: Martha Doe, wife, or, in the event of her death, Richard Doe, cousin.
- 5.** Three or More Beneficiaries in succession - If the primary and secondary beneficiaries die, the third person named will receive the proceeds. Sample: Martha Doe, wife, or, in the event of her death, Richard Doe, cousin, or, in the event of his death, Jane Doe, niece.
- 6.** One Beneficiary Followed by Two Beneficiaries in Equal Shares. Sample: Martha Doe, wife, or, in the event of her death, Jane Doe and Mary Doe, cousins, in equal shares, or their survivors.

- 7.** One Beneficiary Followed by Three or More Beneficiaries in Equal Shares. Sample: John Doe, husband, or, in the event of his death, Jane Doe, Mary Doe, and Richard Doe, cousins, in equal shares, or their survivors.
- 8.** Two Beneficiaries Shown in Percentages. Sample: John Smith, cousin 40%, Sally Smith, aunt 60%.
- 9.** Two or More Beneficiaries Shown in Percentages. Sample: Mary Doe, wife 50%, Jane Doe, cousin 25%, John Doe, cousin 25%.
- 10.** Estate Do not identify the name of the executor or executrix since this name may change as wills are updated. Sample: Estate of John Doe
- 11.** Custodian for Minor Children - Please note any minor child beneficiary designation should nominate a custodian (i.e. bank, adult, trustee followed by the words "as custodian for (minor child's name) under the (child's residential state) uniform transfers to minors act." This designation may avoid a court appointed guardianship for the payment of the death benefit. Sample: John Doe as custodian for Jimmy Smith under the Indiana Uniform Transfers to Minors act.
- 12.** Trust Agreement - State the name of the trust and the date of the trust agreement. Sample: John Doe Trust dated MM/DD/YY. Payment to trustee shall discharge the company.
- 13.** Wife or Unnamed Children. Sample: Martha Doe, wife, or, in the event of her death, our children, if any, or their survivors.
- 14.** Unnamed Children. Sample: Children, if any, in equal shares, or their survivors.
- 15.** No Relationship. Sample: Mary Doe, friend
- 16.** To a Church or Organization - It is preferable to indicate both the name and address and the wording "or its successors or assigns." Sample: Christ Lutheran Church or its successors or assigns
- 17.** Irrevocable Beneficiary - This is acceptable, but not preferable, as the beneficiary must then approve any future beneficiary change. Sample: John Smith, husband, irrevocable beneficiary
- 18.** Employee Unable to Sign - This designation must contain the person's mark and be signed by two disinterested witnesses.

## Unacceptable beneficiary designations

- Collateral assignments, e.g. to banks, finance companies, etc. as creditors on a loan.
- The Employer
- Funeral Homes