

10 tips for choosing a life insurance beneficiary¹

Posted in [Life](#)

Although it may seem like one of those “required fields” you could be tempted to glaze over, specifying who will receive the proceeds of your life insurance policy is an important decision.

Learn some tips to help you choose a beneficiary, and how to avoid some common missteps.

1. Keep the purpose of the policy in mind.

The reasons why you’re buying life insurance should drive your choice. Do you want to provide financially for your family after you’re gone? If so, your spouse might be the best choice. If you want your company to continue, it might be your business partner.

2. Know your options.

When choosing a beneficiary, there are more options than your spouse or kids. Generally, you can designate any one or more of the following examples as a beneficiary:

- One person
- Two or more people (and you decide how the benefit is split among them)
- The trustee of a trust you’ve established
- A non-profit or charity
- Your estate

3. Have a back-up.

On your policy, the primary beneficiary is the person(s) or entity you select to receive the life insurance proceeds upon your death. However, if your primary beneficiary can’t be located, refuses the proceeds or is deceased at the time of your death, then a secondary (or contingent) beneficiary becomes the recipient. Make sure you follow the same advice for selecting a secondary beneficiary as you would for choosing the primary one.

4. Keep it up-to-date.

One of the most common oversights with a life insurance policy is not keeping the beneficiaries up-to-date. Say you’re single and name your mother as the primary beneficiary, but later on you get married. If you didn’t update the beneficiary on your policy, then the proceeds will still go to your mother.

5. Be specific.

¹ <https://www.grangeinsurance.com/tips/how-to-choose-life-insurance-beneficiary>

In addition to keeping your beneficiaries current, remember to be specific when you name them. If you name “my children” as beneficiaries and one of them dies before you, do you want the other child(ren) to get the entire benefit or the deceased child’s heirs to get their parent’s share?

6. Avoid designating a minor.

State regulations may limit if or how much a minor child can receive from life insurance proceeds, so the court may have to appoint a [guardian](#) to administer the funds. That can be a lengthy process, and one that typically requires multiple court dates. To avoid this, think about either setting up a trust or designating an adult you trust to oversee the distribution of the money to the minor.

7. Don’t unwittingly disqualify your beneficiary from other benefits.

According to the Social Security Administration, a person who is aged, blind or disabled and receives Supplemental Security Income (SSI) and/or Medicaid could potentially have their monetary benefits reduced or suspended if their inheritance increases their income, based on program eligibility. If one of your beneficiaries needs to use these benefits after your death, take federal regulations into consideration before adding them as a beneficiary.

8. Don’t count on your will to override your beneficiary choices.

Make sure your wishes are honored by having your will match your life insurance policy. If you update your will, take the time to update your life insurance beneficiaries (and vice versa). In the event your will and life insurance beneficiaries do not match, your life insurance beneficiary designations will win out every time. Remember, life insurance is a contract and will be enforced as it is written.

9. Be aware of state laws.

Typically, in community property states, your spouse would have to sign a waiver if you designate someone else to be the beneficiary. Check with your [independent Grange Life agent](#) for details on this and any other questions you have surrounding designating your life insurance beneficiaries in your state.

10. What happens if you don’t designate a beneficiary?

If you neglect to designate any beneficiaries (or all of them predecease you), the life insurance proceeds will be paid to your estate. If that happens, the probate court will decide how to handle the funds. This could take a while and possibly chip away at the proceeds. So, in order to get the money into the hands of those who need it as soon as possible, designating a beneficiary is the way to go.