



**XVIII Airborne Corps and Fort Bragg
Office of the Staff Judge Advocate
Legal Assistance Office**



INFORMATION PAPER – LEAVING SGLI TO MINORS

THIS INFORMATION PAPER PROVIDES A BROAD OVERVIEW ONLY. PLEASE CONSULT A LEGAL ASSISTANCE ATTORNEY FOR SPECIFIC QUESTIONS.

IF I DIE, CAN MY CHILD RECEIVE MY SGLI MONEY?

- Minors cannot inherit property until they turn 18. Naming a minor as the beneficiary on your SGLI means a court will have to appoint a guardian before the funds can be released.
- You have no control over who the court appoints after your death. For example, would you want an ex-spouse to control money on your child's behalf?
- Some state laws limit how much may be spent on the minor's behalf during a certain time period. The guardian may not be able to access the funds for the child's day to day needs
- Some bond, court, and legal expenses are paid out of the SGLI proceeds
- The child will receive all the remaining money on his or her eighteenth birthday, regardless of maturity

CAN I LEAVE MY SGLI TO MY PARENT/SIBLING/FRIEND INSTEAD? I TRUST HIM OR HER TO TAKE CARE OF MY CHILD?

- Money left to an adult becomes his or her property. If that individual chooses not to use the money for the child's benefit it will be extremely difficult for anyone else to enforce a prior "understanding."
- Even if the individual uses the money for the child, it could be lost to creditors or legal judgments against the adult.

MY SPOUSE IS MY PRIMARY BENEFICIARY, SO I'M OKAY RIGHT?

- Naming a spouse as the primary beneficiary is the most common designation, but consider:
 - What if something happened to you and your spouse?
 - Even if the chance of your children inheriting is remote, you still need to draft the language correctly. Five extra minutes in the S-1's office can save your loved ones months of legal headaches.
 - What if your spouse has poor financial habits or debt subject to the claims of creditors?
 - You may want to set aside a portion of your SGLI for your children using one of the methods explained below.
 - Do you have children from a previous relationship your current spouse may not wish to support in the future?
 - You may want to set aside a portion of your SGLI for these children using one of the methods explained below.

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WHAT ARE MY OPTIONS TO ENSURE MY SGLI MONEY IS USED FOR MY CHILD?

- The two best options are Trusts and custodial accounts set up under a state's Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA)

WHAT IS A TRUST?

- A trust is a legal instrument (either separate or incorporated into a will) allowing you (the "Settlor") to name an individual (the "Trustee") to control money for another person (the "Beneficiary") under a set of guidelines laid out in the trust language. The trust sets out how and why funds can be withdrawn as well as when the trust terminates.
- The advantages of a Trust are the flexibility and protection of specifying the exact conditions of how the money will be handled. Trusts can also delay payment of proceeds to a beneficiary until any age.
- The downside of Trusts is they can be expensive to administer and are generally not suited to smaller amounts of money because fees will eat in to the principal. Trust income is also taxed at higher rates and may require a financially savvy trustee to keep up with investments and administrative requirements.

WHAT ARE UGMA/UTMA ACCOUNTS?

- UGMA/UTMA accounts are custodial bank accounts set up under state laws (don't worry too much about UGMA vs UTMA, the principals are the same)
- Custodial accounts are similar in some ways to trusts. In the case of a trust, a trustee manages the property for the benefit of the beneficiaries. In the case of a custodial account, the custodian manages the property for the benefit of the minor until he or she reaches a certain age..
- The custodian manages the property, making decisions concerning buying and selling, reinvesting earnings and so forth. The custodian may also take money from the account to spend for the benefit of the child's health, education, and welfare.
- *Property held in a custodial account is owned by the child.* Even though the child will not have control of the property until later, the child is the owner as soon as property is transferred to the account. Any income generated is taxed at the child's tax rate. The money is also considered to be the child's in financial aid calculations for college.
- The account terminates when the child reaches a specified age. The age depends on your state's law, and may depend on the type of transfer. In some states you can choose to designate a different age than the one that automatically applies, but the law will impose a limit on the age you can choose. For example, in North Carolina an account will terminate when the minor attains age 18 unless you specify a later age, up to age 21. When the account terminates, the custodian transfers the property to the child, who can use it in any way he or she chooses.

HOW DO I FILL IN MY SGLI FORM TO USE A WILL OR A TRUST?

- See the attached form for examples. Remember if you want to leave money in trust, your will or another document has to actually establish the Trust. Filling in your SGLI form isn't enough.

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WHO CAN I CONTACT FOR MORE INFORMATION?

- Legal Assistance personnel can provide additional guidance on SGLI, trusts and UGMA/UTMA accounts. Call (910) 396-0396 / 6113 for more information.

3. About Your Beneficiaries *Complete this section unless you are declining coverage*

Primary Name and Address	Social Security Number (If available)	Relationship to you	Share to each (% or \$ amounts)	Payment Option (Lump sum* or 36 equal monthly payments)
1. Jane Doe	111-11-1111	spouse	100%	Lump sum
2.				
3.				
4.				

Secondary

1. To my trustee Jerry Doe or successor to fund the trust created for my children under my Last Will and Testament.		Trust within Will	100%	Lump sum
2. Julie Doe, as custodian for my children, pursuant to the UGMA/UTMA.		UGMA/UTMA	100%	Lump sum
3. Jeff Doe, my trustee, pursuant to a trust agreement dated April 4, 2011. (outside will)		Trust outside Will	100%	Lump sum
4.				

Your third contingent beneficiary

Have more beneficiaries? Check the box and complete Supplemental SGLI Beneficiary Form, SGLV 8286S

If you do not name beneficiaries above, your insurance will be paid by law (see page 2)