

Think about this: “Why is the Beneficiary Designation important on the life application?”

Making sure the beneficiary is designated properly is important because

- 1. Delays in payment of proceeds can be avoided due to conflicting claims that may arise on death of the insured**
- 2. Legal costs, if any can be avoided on the part of insurance company and the party claiming to be the beneficiary.**

The agent can play a major role being the point of contact with the client to ensure proper and correct beneficiary details are noted on the application.

Helpful tips:

1. Always request the client to be specific about the name and relationship to insured of the beneficiary. Example: If John Smith, the insured wants his spouse, Mary Smith to be the beneficiary, it should be listed as “Mary Smith, my spouse” under beneficiary column.
2. If there is more than one beneficiary, please make sure client specifies the percentage of proceeds to be divided. Example: If John Smith wants to divide the proceeds between his 3 children, it should be listed as “Jerry Smith, my son 33%; James Smith, my son 33% and Margie Smith, my daughter 34%”. Alternately, it could be listed as “Children of the insured, in equal shares among those living at the time of the insured’s death” as this will include children born later after policy issue.
3. If one of the beneficiaries is a creditor called ABC Bank and the primary purpose of getting the policy was to provide for repayment of debts upon insured’s death, priority of repayment can clearly be listed as “\$25,000 or amount owed at the time of insured’s death to be paid to ABC Bank and the balance of the proceeds to be paid to Jerry Smith, my son (using John Smith’s example)”. Alternately, collateral assignment of the policy can be made to the creditor.
4. When a trust is elected as the beneficiary, it is mandatory to provide date of trust formation and tax ID number for trust. The trust has to be in existence at the time of election as beneficiary. Care also should be taken to understand the implication of making a trust as owner and beneficiary of policy if it helps in estate planning.

The above list is limited and client should be advised to decide on the specifics of a beneficiary designation after consultation with an attorney, trustee, financial planner and family, if applicable.

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