

Fort Rucker Preventive Law Program
LEGAL ASSISTANCE
SERIES

Servicemember's Group
Life Insurance
(SGLI)

THIS PAMPHLET

Contains basic information on the Servicemember's Group Life Insurance. If you have specific questions, call 255-3482 to make an appointment.



OFFICE OF THE STAFF JUDGE ADVOCATE
FORT RUCKER, ALABAMA 36362

SERVICEMEMBER'S GROUP LIFE INSURANCE (SGLI)

HANDOUT

Congress recently increased the maximum available coverage for Servicemember's Group Life Insurance (SGLI) to \$400,000. This handout sets forth some of the factors you should consider before signing up for SGLI, or increasing your existing SGLI coverage.

Designating a Beneficiary: Upon your death, SGLI proceeds are paid to your designated beneficiaries. If none are named, then the proceeds are paid according to a distribution system established under federal statute—that is what is meant by the term “by law.” Title 38 United States Code, Section 1970. If no beneficiary is named, federal law requires SGLI proceeds be paid to your spouse; if none, then to your child or children in equal shares with right of representation; if none, then to your parent or parents in equal shares; if none, then to your “estate.” This scheme may or may not be what you desire. In order to avoid this problem, you should consider specifically naming the individuals you wish to receive the proceeds. In this manner, you can be sure that the proceeds go to the person or persons to whom you want them to go.

MINOR BENEFICIARIES: What if one of the beneficiaries you have named is a minor child (i.e., under the age of 18)? By law, minor children cannot legally receive such large sums of money as beneficiaries of an insurance contract. An adult must be appointed to administer the insurance proceeds on behalf of minor children until they reach the age of 18, at which point the money is distributed to them. If you name minor children as beneficiaries of SGLI proceeds, you should strongly consider seeing the legal office for advice. They can provide you with a will that incorporates a simple trust. This trust, if named as the beneficiary or contingent beneficiary on the SGLI form, will receive the SGLI proceeds if there is no named beneficiaries primary to it. A trustee, who you will name in your will, administers the SGLI proceeds until your children reach an age you deem appropriate. When your children reach the age you have named in the trust, the monies in the trust are distributed directly to them. Such a trust is a simple and economical way to have the SGLI proceeds taken care of until your children are old enough to receive the money outright. After executing a will containing the trust provisions, you would use the following language to designate a beneficiary on SGLI forms: “To the Trust established in accordance with my Last Will and Testament.” **It is absolutely essential that you have already established such a trust in your Last Will and Testament before you make this designation.** You should also consider a similar designation on any other commercial life insurance policies that you own.

On the other hand, if you have minor children and you simply put “by law” in the space designated for beneficiaries, the situation will not be so favorable if you die with minor children. In this case, a “guardian of the estate” will have to be appointed by the courts to administer the SGLI proceeds on behalf of your minor children. This often results in unnecessary delay, attorney's fees, and court costs. Frequently, the guardian is also required to post bond, account for all expenditures made on behalf of the children, and annually apply to the court to continue the guardianship. Furthermore, for members with minor children from a previous marriage, the

guardian appointed will usually be the service member's former spouse. Compared to a trust, a guardianship of the estate is often unnecessarily costly and cumbersome. Therefore, before you make any minor children beneficiaries of SGLI proceeds, you should strongly consider seeing an attorney at the post legal assistance office for advice on this matter.

THE BOTTOM LINE: You should carefully consider what you want to happen to the SGLI proceeds upon your death. More often than not, SGLI proceeds represent the largest single source contributing to a servicemember's estate. For this reason alone, you should be absolutely certain that those proceeds go to the persons you want them to. If you have any questions about SGLI, ask a personnel clerk to assist you. If you have any further questions, or if you feel it is necessary, the Post Legal Office offers legal assistance to eligible members of the Fort Rucker community.