

FAMILY FINANCES

Are You Protecting Your Loved Ones?

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(NAPS) Life insurance helps protect your family's financial security. Some people have coverage through work, while others buy individual policies.

Regardless of what type of life insurance you have, there's one small detail that, if overlooked, can cause one big headache: naming a beneficiary of your policy.

A beneficiary is the person who receives the proceeds of a life insurance policy when the insured person dies. If you select your spouse as the policy beneficiary, he or she will be paid a benefit at your death. Besides individuals, beneficiaries can be a company, charitable organization or legal entity called a "trust."

Selecting a beneficiary enables you to take advantage of the numerous benefits life insurance can provide your family. Unfortunately, many people decide hastily or even forget to select a beneficiary.

Avoid These Traps

Not naming a beneficiary—or doing so improperly—can rob loved ones of intended benefits, cause legal complications or create unexpected tax bills. For example, naming a spouse as beneficiary—a common practice—may be unwise if he or she is unprepared or unable due to illness to take over the family finances following your death.

What if your spouse is the beneficiary and then you divorce? If you forget to change the beneficiary to your new spouse, all the proceeds may go—against your wishes—to your former spouse.

Appointing young children as beneficiaries is also risky. A court-appointed legal guardian will hold and manage the money until they reach 18 or 21 years old, depending on state law. This process generally involves legal formalities,



To best protect your family, choose your life insurance beneficiary carefully.

delays and expenses. As a parent, you may be uncomfortable knowing that once your children reach the age of majority, they will be entitled to receive the full proceeds to spend as they wish.

If you forget to name a beneficiary, life insurance proceeds go into your estate and can be subject to estate taxes. One way to address potential problems is by designating a trust as beneficiary of your life insurance policy.

When filling out a beneficiary form, make sure you precisely indicate the beneficiary's name, social security number, and relationship to you. If you name "my spouse" as the beneficiary and then divorce and remarry, a court may have to decide which spouse you meant.

Because naming a beneficiary is so important, it's a good idea to ask a knowledgeable insurance or legal advisor for help with the decision.

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