

Checklist for Life Insurance Beneficiary Designations

Primary Beneficiaries

- Is each specifically identified by name, date of birth, and Social Security /TIN Number?
- Does the total of all percentage interests add up to 100%?
- Is any beneficiary designated as "irrevocable?"
- Is any beneficiary a minor?
- If so, will there be a legal guardian, trust or custodian appointed to receive policy proceeds?

Contingent Beneficiaries

- Is each specifically identified by name, date of birth and Social Security /TIN number?
- Is the Grandchild's Clause to be used?
- Does the total of all percentage interests add up to 100%?

Policy Owner Lives in a Community Property State

- Is the spouse a beneficiary of less than 50% of the policy death benefit?
- If so, has spouse given written consent?

Are Different People/Entities Named as Insured, Policy Owner & Beneficiary?

- If so, at the Insured's death, the Policy Owner may be making a taxable gift (Goodman Rule).
(This could be a problem if the taxable gift exceeds the Owner's lifetime gift tax exemption or if the sum of the taxable gift and the Owner's net worth would trigger federal estate taxes at death.)

Could the Beneficiary Designation Create a Transfer for Value?

- Is the policy owner receiving anything of value in return for naming the beneficiary?
- If so, is one of the exceptions to the transfer for value rule available?

If the Business is a Policy Owner or Beneficiary, does IRC Section 101(j) apply?

- Is the insured an "appropriate insured" under IRC Section 101(j)?
- If so, were the notice and consent requirements met **before** the policy was issued?

Does the Policy Ownership or Beneficiary Designation Create a Potential Federal Estate Tax Problem?

- Does the insured have one or more rights in the policy that could create an incident of ownership under IRC Section 2042?
- Could the policy death benefits become part of the taxable estate of the insured's spouse and trigger federal estate taxes at the spouse's death?
- Are any of the policy beneficiaries wealthy enough to have a federal estate tax problem if their respective share of the death benefits becomes part of their taxable estate?

Does the Beneficiary Designation Accomplish the Owner's Current Objectives?

- Has the beneficiary designation become outdated with the passage of time or the occurrence of events not anticipated when the policy was originally purchased?
- Has the beneficiary designation been reviewed recently with owner's tax and legal advisors?

Each item in this checklist is explained in more detail in the **Life Insurance Beneficiary Designations Producer Guide (#162904)**. Consult it for additional information.

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