



U.S. AIR FORCE

SGLI BENEFITS



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I. Information about Servicemembers' Group Life Insurance

1. Generally

Servicemembers' Group Life Insurance (SGLI) is low-cost group life insurance available to members of the military. The primary benefits of this life insurance are that it costs less than comparable commercial coverage and it has no "combat clause". That is, the policy will pay if you are killed in combat, which some commercial policies will not.

2. Benefits

Military members may purchase up to \$400,000 dollars in coverage. SGLI also allows coverage of spouses and children at \$100,000 max and \$10,000 max, respectively. Members may also purchase less coverage. Not all of the benefits of the policy must be paid to the same beneficiary. That is, you can split the proceeds between two or more people. Ordinarily, a member has the right to change the beneficiaries of the policy whenever he or she wishes to do so.

II. Beneficiary Designations

1. Primary Beneficiaries

Primary beneficiaries are the people you designate to receive the benefits of the policy. If the service member should die while his or her SGLI is in force, the insurance proceeds will go to the person or people named as the primary beneficiaries (provided these people are alive). If the primary beneficiary or beneficiaries are dead at the time the SGLI policyholder dies, then the proceeds will go to the contingent beneficiaries.

2. Contingent Beneficiaries

Contingent beneficiaries are people who would get the proceeds if all of the primary beneficiaries died before the policyholder did.

3. Changing Beneficiaries

Service members can change the beneficiaries on their SGLI policies at any time at the Customer Service Desk of the Military Personnel Flight. This office is located on the second floor of Bldg. 600.

III. Options for Beneficiary Designations

1. By Law

One option to designate beneficiaries is to simply write "by law" in the primary beneficiary section. It is then unnecessary to put anyone down as a contingent beneficiary. If

you die with a “by law” designation on your SGLI, the insurance proceeds will pass according to a predetermined statutory formula. The money will first go to your spouse if you have one, or equally to your children if you do not. If you do not have children it will go equally to your parents, and if they are not alive it will then go to other relatives.

(a) Advantages of the “by law” designation

This designation is simple, and it has a built-in mechanism for adapting to changes in your personal circumstances. For example, if you divorce or have a relative die, the insurance proceeds will automatically pay out to somebody else.

(b) Disadvantages of the “by law” designation

The “by law” designation may not pay the proceeds out as you would like. For example, if you are engaged you might rather have the proceeds go to your fiancé or fiancée rather than to your parents. If you are estranged from your spouse but not divorced you may not wish for the benefits to be paid to your spouse. There are many other reasons one might not want the money to go “by law”. Moreover, if you have minor children it is best to make arrangements so they don’t get the money outright. This topic is discussed in further detail below.

2. Named Beneficiaries

You may also designate a person, people, entity or entities to receive the insurance proceeds by specifically naming them as beneficiaries in the policy.

(a) Advantages of naming beneficiaries

The money will go to whomever you name. This gives you the maximum amount of control. You can pick exactly how the benefits will be paid out, and who has priority. You also have the flexibility under this option to have the benefits paid to someone who is not a member of your family.

(b) Disadvantages of naming beneficiaries

Circumstances may change in ways that make your previous designations undesirable. You may be expecting a child or have a new one. You may get married or divorced. Your policy will not take these changes into account as under the “by law” designation. The policy will pay the money exactly as designated on the form. Thus, if you name beneficiaries we highly encourage you to keep your designations up to date.

IV. Special Problems with Certain Beneficiaries

1. Minor or Disabled Beneficiaries

You may wish to have the money go to minor or mentally-disabled loved ones. Such beneficiaries are not legally allowed to own money outright. If they are named as beneficiaries,

then it will be necessary to have a court hearing to determine who will manage the money for them. This takes time and will use up some of the insurance money. This problem can be avoided by having the money paid to a named custodian under the local version of the Uniform Gifts to Minors Act (UGMA). A legal assistance attorney will be happy to explain this to you and help you do it. You can also serve the same purpose by establishing a trust.

2. Irresponsible Beneficiaries

You may wish to have the money go to a beneficiary who has every right to manage the money, but whom you do not feel will manage the money properly. The person may squander money away, gamble, or just be unsophisticated. You may wish to protect the proceeds from a loved-one's spouse. All of these things can be done with a trust.

3. Use of Trustees and Custodianships

There are several things to consider when deciding whether to use a trust or Uniform Gifts to Minors custodianship. A legal assistance attorney can discuss how these devices would work in your case. In either case, it is important to choose someone you trust to be trustee or custodian, and to talk to this person prior to designating them to assume this responsibility. If you choose to use a trust, it is also very important that you set up the trust before you designate it as a beneficiary.

V. Conclusion

For many service people, SGLI benefits will be a substantial portion of the wealth they are able to pass on to their loved ones when they die. For this reason, SGLI beneficiary designation is a crucial part of the estate planning process, and it is wise to give it some thought.

The legal assistance attorneys can discuss this issue with you in more detail. The legal office is located at 101 S DL Ingram Blvd on base (Bldg 60), across from wing headquarters. Walk-in legal assistance is available on Mondays (1300-1530) and Wednesdays (0730-1000), and legal assistance appointments are available on Tuesdays (1000-1230) and Thursdays (1230-1530).