

# Understanding the Importance of *Beneficiary Designations and Wills*



By Dave Wyrwas, President Glatfelter Specialty Benefits

*VFIS and Glatfelter Specialty Benefits provide a number of products that include death benefits for emergency responders. These programs include Accident and Sickness (A&S, which provides line of duty benefits and optional 24-Hour AD&D benefits), Group Life, LOSAP, Critical Illness and other specialty accident programs.*

It is common practice to ask the emergency responder to complete a beneficiary form. Typically, a member will name a Primary Beneficiary who receives benefits in the event of the member's death. At times the member will name a Contingent Beneficiary to receive benefits if the Primary Beneficiary dies before the member. Usually these beneficiary designations are kept on file at the Emergency Service Organization. A beneficiary card should be completed for each policy to avoid any complications when benefits are paid.

VFIS ardently encourages updating beneficiary forms whenever there is a change in the member's life - such as marriage, divorce, children, widowed, etc. An updated beneficiary form ensures the death benefit goes to the person designated. We also encourage the review of beneficiary designations on any personal or employer provided insurance.

Here are some common mistakes with beneficiary designations:

- 1. Naming Minor Children** - Life insurance benefits cannot be paid directly to a minor. Absent a trust or other legal arrangements, the court will appoint a guardian which may entail significant costs. Additionally, the court could name someone as guardian who may not be the choice of the family. It is important to seek legal advice to develop a will, set up a trust, and name an adult custodian for life insurance proceeds under the Uniform Transfers to Minors Act.
- 2. Naming Special Needs Dependents** - This could put the loved one at risk of losing eligibility for government assistance. Anyone who receives a gift or inheritance of more than a certain amount is disqualified for Supplemental Social Security Income and Medicaid. Seeking legal advice to establish an appropriate trust is prudent in these cases.
- 3. Personal Wills** - The named beneficiary in a life insurance policy takes precedence over the provisions of a will. Life insurance is a stand-alone contract with the proceeds paid to the beneficiary listed on the individual life policy or on the beneficiary form on file with the policyholder in the case of most Group policies such as Accident and Sickness or Group Term.

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- 4. Outdated Beneficiary Forms** – Forgetting to update forms is very common. Updates are needed every time there is a life-changing event. Otherwise, a long forgotten friend or distant relative could receive a death benefit instead of the spouse or preferred beneficiary.
- 5. General Designations** – It is important to be specific. Designating “my children” without listing names and Social Security numbers could lead to a delay while time is spent researching to verify proper identification. However, being too specific might exclude future children and will require updating your beneficiary designation. A traditional beneficiary designation might state “to all my children, in equal shares.”
- 6. Contingent Beneficiaries** – Not naming a Contingent Beneficiary is problematic. Many married people name their spouse as beneficiary and don’t name a Contingent Beneficiary. If the couple is travelling together and dies in a common accident, who would receive the insurance benefit? Without a Contingent Beneficiary, either the state or the insurance policy provisions will determine who receives the benefit.
- 7. Parents as Beneficiaries** – Naming a parent who is in a nursing home that might be paid for by Medicaid could lead to any proceeds of the insurance policy going to the state.

With any special situation, it is prudent to seek legal advice. Generally speaking, a review of beneficiary designations should be part of the overall will drafting or estate planning process.



However, it is shocking how many people don’t have a will! According to an article in USA Today, 71% of adults under age 34 and 41% of aging baby boomers do not have a will. The reasons stated are: expense; they believe they do not have many assets; or simply procrastinating. Without a will, state laws determine who receives property. With a will, assets are passed to selected heirs.

In my travels, I’ve noticed that many states use the services of an organization called “Wills for Heroes.” Their stated purpose is: *Wills for Heroes programs provide essential legal documents free of charge to our nation’s first responders, including wills, living wills, and powers of attorney.* By helping first responders plan now, they ensure their family’s legal affairs are in order before a tragedy hits. The 501(c)(3) charitable non-profit Wills for Heroes Foundation supports these Wills programs, giving back to the community and “protecting those who protect us.”

In our state, the program is co-sponsored by the Pennsylvania Bar Association’s Young Lawyers Division. The service is staffed by lawyer volunteers and is conveniently offered to first responders at meeting halls and police and fire stations. While I haven’t personally worked with this program, I have heard positive feedback from departments who have used this service to draft a will and other necessary legal documents. Contact the State Bar Association or State Firefighters Association to see if “Wills for Heroes” is active in a specific area.

*I urge everyone to review your beneficiary designations, work with legal counsel, and be mindful of changes in your personal situation. As emergency responders, you continually plan for the unexpected. Shouldn’t you use the same strategy for your personal situation?*



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