

Beneficiary Designations

Reference Guidelines



Life Insurance

These guidelines are not intended to be a comprehensive manual of beneficiary designations. Other wording for beneficiary designations may be acceptable.

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I - Writing a Good Beneficiary Designation

The purpose of a well-drafted beneficiary designation for a life insurance policy is to provide a description that will allow both:

- The clear identification of the beneficiaries; and
- Fulfillment of the policyowner's intent with respect to how the death benefit is to be paid.

Things to keep in mind:

- Life insurance beneficiaries should coordinate with and be compatible with the insured's overall estate plan. It may be a good idea to coordinate this with the attorney who drafts the insured's will or a trust.
- Anticipate that situations may change (e.g., birth of a child, divorce, death of a beneficiary, etc.), review designations regularly and make needed changes. Unless a beneficiary designation is irrevocable, the policyowner may change it any time.

Include both the name of the beneficiary and identifying information about the beneficiary, such as their relationship to the insured, date of birth or Social Security number. Some states require the address of the beneficiary to be provided.

When there are two or more beneficiaries, define how the benefit is to be split. If unequal shares are requested, only percentages should be used to establish portions, and they must add up to 100%.

In most cases, you should avoid situations in which the insured, the policyowner and the beneficiary are all different. This can result in gift and/or income tax issues. If the policyowner is different from the insured, it is often best to name the policyowner as the beneficiary.

The information in this guide is not designed to be all inclusive. There may be times when the suggested wording does not accomplish the policyowner's intent. Any special wording requested will require the approval of the Genworth Financial companies (Genworth).

II - Primary and Contingent Beneficiaries

A beneficiary is a person or entity entitled to receive the death benefits paid under a life insurance policy. A beneficiary may be a primary beneficiary or a contingent beneficiary (sometimes referred to as a secondary beneficiary).

- If the **primary beneficiary** is alive when the insured dies, then the primary beneficiary receives the death benefit.
- If the policyowner has named a **contingent beneficiary**, the contingent beneficiary will receive the death benefit only if the primary beneficiary is not alive or does not exist when the insured dies.
- If no valid primary or contingent beneficiary is living or exists when the insured dies, the benefits will be paid as follows:
 - If the insured is also the policyowner, the benefits will be paid to the insured's estate.
 - If the insured is not the policyowner, the benefits will be paid to the policyowner or, if the policyowner is not alive or does not exist, the policyowner's estate or successors in interest.

The policyowner maintains the right to choose or change the beneficiary unless the policyowner makes an irrevocable beneficiary designation. In rare situations, the policyowner may give the right to name or change the beneficiary to someone else. This power may have tax implications.

This is the general rule for the payment of death proceeds when an insured dies. However, some life insurance policies may include specific provisions that determine how death benefits will be paid. In these cases, death benefits will be paid in accordance with the policy wording.

Ila - Irrevocable Beneficiaries

Most beneficiary designations are revocable; that is, the policyowner may change them at any time.

On occasion, a policyowner may wish to make a beneficiary irrevocable. An irrevocable beneficiary cannot be changed without that beneficiary's consent. An irrevocable beneficiary designation may be required by a divorce decree, a property settlement agreement entered as part of a divorce, or other binding document.

Naming an irrevocable beneficiary may also restrict the policyowner's ability to exercise other rights under the policy without the beneficiary's consent, such as taking a loan against any cash values or using the policy as collateral.

Because of these restrictions, it is seldom advisable to name any beneficiary irrevocably. This is especially true if the beneficiary is a minor. In most states, and depending on age, minors cannot enter into contracts, and their signature on legal documents has no legal authority. Therefore, if a minor is named as an irrevocable beneficiary, the policyowner may not be able to make any changes to the policy or request policy loans until the minor reaches the age of majority.

We may not be able to pay proceeds until an irrevocable beneficiary reaches age of majority or a guardian is appointed.

III - Insurable Interest

In general, insurable interest exists when the policyowner has a greater interest in the insured's continued life than in the insured's death at the time the life insurance policy is entered into. Typically, the insurable interest issue arises if the owner and insured are not the same. But state law determines whether an insurable interest exists, and some states require that both the owner and the beneficiary hold an insurable interest. This usually means that both must suffer a financial loss if the insured died.

Even if a financial loss is not apparent, certain family members are assumed to have an insurable interest in the insured, based on love and affection. These include the insured's:

- Spouse
- Children
- Parents

The following **may** also have an insurable interest (documentation supporting insurable interest may be required):

- Brothers and sisters of the insured
- Grandparents
- Fiancé or fiancée of the insured
- Domestic partner of the insured
- Business owned by the insured
- Business partner or co-shareholder
- Trust established by the insured, or a trust in which the insured is a beneficiary (provided the grantor and the trust beneficiaries have an insurable interest in the insured at the time the policy is issued)
- Employer, but only if the insured is a key employee, officer or owner of the company; there may be circumstances in which insurable interest exists in a non-key employee; additional documentation supporting that insurable interest may be required.
- Creditors of the insured
- The insured's estate
- A charitable organization to which the insured makes donations

IV - Individual Beneficiary Designations

Individual beneficiary designations must include both the name of the individual and enough additional information to help us clearly identify and locate the intended beneficiary. Commonly, the relationship of the beneficiary to the insured is used. In lieu of the relationship, the beneficiary's date of birth or Social Security number should be used.

Preferred Wording

- Jane Smith, Spouse of the Insured
- John Johnson, Partner of the Insured
- Jane Smith, Social Security number 111-44-5555
- Jane Smith, DOB May 1, 1945

Unclear Wording

- Spouse of the Insured
- Jane Smith

V - Multiple Beneficiaries – Survivorship

When there are two or more beneficiaries, the same guidelines must be followed; that is, the names of the individuals and some identifying information must be provided. In addition it is important to specify how the death benefit is to be distributed.

The designation should provide an explanation of how benefits are to be paid if one of the primary beneficiaries is not living at the time the insured dies. (Note: if all primary beneficiaries die before the insured, the benefits will be paid to the contingent beneficiary, if any.)

The death benefit that would have passed to the deceased beneficiary can be paid to:

- Remaining beneficiaries
- Family members of the deceased beneficiary; or
- Another person or entity selected by the policyowner

Here are examples of acceptable wording. When appropriate, we recommend you use beneficiary designations like these.

Equally Or To the Survivor

- **Designation:** To Mary, Tom and Susan, children of the Insured, equally or to the survivor.

Situation: Mary dies before the Insured. The death benefit is \$100,000.

Result: Tom and Susan each get \$50,000.

This wording divides the death benefit in equal shares among all primary beneficiaries alive when the Insured dies.

Equally Or To the Survivor (Alternatives)

- To A, B and C, children of the Insured living at the time of the Insured's death, in equal shares.
 - To A, B and C, children of the Insured, in equal shares with right of survivorship among them.
 - To A, B and C, children of the Insured, in equal shares among those living at the time of the Insured's death.
-

Per Stirpes (By Lineage)

- **Designation:** To Betty and Burt, children of the Insured, per stirpes.

Situation: Burt has two children, Charles and Candice. Burt dies before the Insured. The death benefit is \$100,000.

Result: Betty gets \$50,000. Charles and Candice each get \$25,000.

This wording pays a deceased beneficiary's share of the death benefit to the children of the deceased beneficiary in equal shares. If one of the children has died, it pays that child's share to the child's lineal descendants.

- **Designation:** To Betty and Burt, per stirpes.

Situation: Betty has two children, Crystal and Connie, and Crystal has two children, Greg and Gary. Betty and Crystal die before the Insured. The death benefit is \$100,000.

Result: Burt gets \$50,000. Connie gets \$25,000. Greg and Gary each get \$12,500.

VI - Multiple Beneficiary Designations – Equal and Unequal Shares

If there are multiple beneficiaries and the death benefit is going to be split unequally, the beneficiary designation must clearly state how much each beneficiary should receive. If the designation does not specify, Genworth will assume that each is to receive an equal share.

Unequal shares should be expressed as percentages or fractions that always add up to 100%. Avoid expressing beneficiary shares as dollar amounts, since the actual death benefit to be paid may be more or less than the original policy face amount.

Preferred Wording

- John Doe, Son of the Insured, and Katie Doe, Daughter of the Insured, equally or to the survivor.
- 25% to John Smith, Brother of the Insured, 75% to Mary Smith, Sister of the Insured, per stirpes.
- One-quarter to John Smith, Brother of the Insured, three-quarters to Mary Smith, Sister of the Insured, per stirpes.

Wording to Avoid

- **Designation:** \$25,000 to John Smith, Brother of the Insured, \$75,000 to Mary Smith, Sister of the Insured.

Situation: Original death benefit is \$100,000. When the insured dies, the death benefit is \$110,000.

Result: Genworth does not know how the Insured wanted the additional \$10,000 disbursed.

**Additional Wording To Correct
A Designation**

Policy loans and withdrawals, as well as increases and decreases to the death benefit, may cause the actual benefit to be more or less than the original death benefit. If a policyowner insists that dollar amounts be used, include wording explaining how the proceeds should be paid if the actual death benefit differs from the sum of the stated amounts.

- **Designation:** \$25,000 to John Smith, Brother of the Insured; \$75,000 to Mary Smith, Sister of the Insured. If the death benefit paid is more or less than \$100,000, each beneficiary should receive an amount equal to the same ratio as his or her respective stated dollar amount bears to \$100,000.

Situation: When the insured dies, the death benefit is \$110,000.

Result: John receives \$27,500 (his original \$25,000 plus 25% of the additional \$10,000). Mary receives \$82,500 (her original \$75,000 plus 75% of the additional \$10,000).

- **Designation:** \$25,000 to John Smith, Brother of the Insured; \$75,000 to Mary Smith, Sister of the Insured. If the death benefit paid is more or less than \$100,000, any excess should be added to John's share and any deficiency subtracted from Mary's share.

Situation: The original death benefit is \$100,000. When the insured dies, the death benefit is \$110,000.

Result: John receives \$35,000 (his original \$25,000 plus all of the extra \$10,000), and Mary receives \$75,000.

VII - Multiple Beneficiaries – Prioritizing Multiple Interests

Occasionally, a policyowner has special needs for the disposition of the death proceeds that cannot be handled by standard survivorship wording. The wording must take into consideration what should happen if the amounts in the beneficiary designation differ from the actual death benefit payable. The examples in this section assume that the initial death benefit under the policy was \$100,000.

Acceptable Wording

- **Designation:** 25% to John Smith, Brother of the Insured; 75% to Mary Smith, Sister of the Insured. If John Smith does not survive the Insured, pay John Smith's share to Catherine Smith, Daughter of John Smith. If Mary Smith does not survive the Insured, pay Mary Smith's share to John Smith, Brother of the Insured.

Situation: When the insured dies, Mary has already died. The death benefit is \$100,000.

Result: John receives the entire \$100,000.

- **Designation:** \$75,000 or, if less, the entire death proceeds, to Gloria Smith, Ex-wife of the Insured. If any death proceeds remain after payment has been made to Gloria Smith, the balance, if any, shall be paid to Mary Smith, Sister of the Insured.

Situation: The original death benefit is \$100,000. When the insured dies, the death benefit is only \$67,000.

Result: Gloria receives the entire death benefit; Mary gets nothing.

- **Designation:** \$75,000 or, if less, the entire death proceeds, to Gloria Smith, Ex-wife of the Insured. If any death proceeds remain after payment has been made to Gloria Smith, the lesser of \$10,000 or the balance remaining shall be paid to Big Bank, as required by Divorce Decree dated October 31, 1995, between the Insured and Gloria Smith. After all required payments have been made to Gloria Smith and Big Bank, any remaining proceeds are to be paid to Mary Smith, Sister of the Insured.

Situation: When the insured dies, the balance remaining owed to Big Bank is \$12,000.

Result: Gloria receives \$75,000. Big Bank receives \$10,000. Mary will receive \$15,000.

VIII - Children as Beneficiaries

If the children of the insured are to be named as beneficiaries, there are two ways this can be accomplished. They may be named individually, as discussed above, or they may be included as part of a class. When identifying children individually, provide additional information such as the child's date of birth or Social Security number.

Using a class designation instead of individual names provides the advantage of automatically including children who are born after the designation is made, avoiding the need to update the designation after the birth of each child. It also protects against a situation in which the policyowner simply forgets to add a child who is born later.

Specific Children

- **Designation:** To Marilyn Smith, Daughter of the Insured, date of birth May 1, 1970, and Perry Smith, Son of the Insured, date of birth June 22, 1968, per capita.

Situation: Herbert Smith, Son of the Insured, was born in 1972, but the Insured never submitted a change of beneficiary form to add him. The Insured dies. The death benefit is \$100,000.

Result: Marilyn and Perry each receive \$50,000. Herbert gets nothing.

This wording includes only the specific children named in the designation. If additional children are born and the policyowner wants them included as beneficiaries, the policyowner will have to request a change of beneficiary to have them included.

Children as a Class

- **Designation:** To all the children of the Insured living at the time of the Insured's death, equally or to the survivors among them.

Situation: John and a former wife had a child, Harry. At the time he makes this designation, he is remarried to Roberta. John and Roberta have a son, Samuel. Later, they have a daughter, Melissa. John dies and the death benefit is \$100,000.

Result: Harry, Samuel and Melissa each receive \$33,333.33.

This wording includes all children of the insured, including children born after the beneficiary designation is made. However, it does not include children born after the insured dies. It might leave open the question about whether or not the insured intended to include adopted children in some states.

Children of a Specific Marriage

- **Designation:** To the children of the marriage between the Insured, John Smith, and Roberta Smith, per stirpes.

Situation: John and a former wife had a child, Harry. At the time he makes this designation, John and Roberta have a son, Samuel. Later, they have a daughter, Melissa. John dies. The death benefit is \$100,000.

Result: Samuel and Melissa each receive \$50,000. Harry gets nothing.

This wording includes all children of the insured from a specific marriage. If the insured has children from another marriage, they would not be included as beneficiaries. It includes children of this marriage who are born after the beneficiary designation is made but does not include children born after the insured dies.

Adopted Children

- **Designation:** To the children of the marriage of the Insured and Roberta Smith, natural and adopted, living at the time of the Insured's death, equally and to the survivors among them.

Situation: Roberta and the Insured adopted William. They then had two more children, Donna and Sandy. Roberta was pregnant when the Insured died; she gave birth to Marvin two months after the Insured's death. The death benefit is \$100,000.

Result: William, Donna and Sandy each receive \$33,333.33. Marvin gets nothing.

This wording includes both natural and adopted children of this marriage, but does not include children born after the insured dies. If you intend to include step children you must name them or include them as a class.

Children Born After the Insured's Death

- **Designation:** To all the children born of the marriage of the Insured and Roberta Smith, including children born after the death of the insured in equal shares.

Situation: Roberta and the Insured adopted William. They then had two more children, Donna and Sandy. Roberta was pregnant when the Insured died; she gave birth to Marvin two months after the Insured's death. The death benefit is \$100,000.

Result: William, Donna, Sandy and Marvin each receive \$25,000.

This wording includes children who are not born until after the insured's death.

IX - Minors as Beneficiaries

In most states, minors may not sign legal documents or consent to activities concerning their property. Therefore, when a minor is named as a beneficiary, the payments may be paid only to a court-appointed guardian. A child's parent is not automatically the child's guardian for purposes of receiving life insurance death benefits. The inability of the minor to consent may delay the payment of the death benefits.

Even if it is the intent of the policyowner to have the death benefits paid to a minor's guardian, naming a guardian in the beneficiary designation will not expedite payment. Genworth must still wait until the guardian is appointed by a court. Even if a state allows an insured to name a guardian in the parent's Last Will and Testament, a court must confirm the appointment.

Exception

Pennsylvania is the only state in which a guardian may be appointed for a minor on a beneficiary designation without evidence of guardianship. We will record the guardianship designation.

Minors As Irrevocable Beneficiaries

It is not advisable to name a minor beneficiary as "irrevocable." As discussed earlier, generally only a court-appointed guardian can give consent on behalf of a minor if a policyowner must have the signature of an irrevocable beneficiary to make changes to the policy or to access policy values. Thus, if the irrevocable beneficiary is a minor, the policyowner may be unable to exercise most rights under the policy.

Uniform Transfers To Minors Act (UTMA)

All 50 states and the District of Columbia have passed a version of either the Uniform Transfers to Minors Act (UTMA) or the Uniform Gifts to Minors Act (UGMA). These laws define terms under which someone who is not a court-appointed guardian may receive property on behalf of a minor.

UTMA and UGMA both require that the property be transferred to the minor at the age stated under the specific state statute.

The beneficiary designation under UTMA/UGMA must include the name and identifying information for the custodian, the child's name and relationship to the insured, and the name of the state act.

Generally, only one custodian and one minor may be named in each designation. For instance, a parent could not be named custodian for all of his children as a group. However, the parent may be named separately as custodian for each child.

Standard UTMA/UGMA Designation

David Doe, Former Spouse of the Insured, as custodian for Joey Doe, Son of the Insured, under the Maine Uniform Transfers to Minors Act.

Irrevocable UTMA/UGMA Designation

David Doe, Former Spouse of the Insured, as custodian for Joey Doe, Son of the Insured, under the Maine Uniform Transfers to Minors Act, without right to change.

Multiple UTMA/UGMA Beneficiaries

50% to John Doe, custodian for Joey Doe, Son of the Insured, under the Maine Uniform Transfers to Minors Act, and 50% to John Doe, custodian for Amber Doe, Daughter of the Insured, under the Maine Uniform Transfers to Minors Act.

Multiple UTMA/UGMA Beneficiaries With Survivorship

- **Designation:** David Doe, Former Spouse of the Insured, as custodian for Joey Doe, Son of the Insured, under the Maine UTMA, and David Doe as custodian for Amber Doe, Daughter of the Insured, under the Maine UTMA, in equal shares; provided, however, that if at the time of the Insured's death, either Joey Doe or Amber Doe is not living, the entire proceeds shall be paid to the custodian for the survivor of them.

Situation: The Insured dies. Joey is then 19 and Amber is 16. The age of majority in Maine is then 18. The death benefit is \$100,000.

Result: Joey receives \$50,000 outright. David Doe receives \$50,000 as custodian for Amber. When she turns 18, he will give her whatever is in the custodial account.

- **Designation:** David Doe, Former Spouse of the Insured, as custodian for Joey Doe, Son of the Insured, under the Maine Uniform Transfers to Minors Act until age 21, and David Doe as custodian for Amber Doe, Daughter of the Insured, under the Maine Uniform Transfers to Minors Act until age 21, in equal shares; provided, however, that if at the time of the Insured's death, either Joey Doe or Amber Doe is not living, the entire proceeds shall be paid to the custodian for the survivor of them.

Situation: The Insured dies. Joey is then 19 and Amber is 16. The age of majority in Maine is 18, unless the transferor has designated a later age, not to exceed 21. The death benefit is \$100,000.

Result: David Doe receives the \$100,000 death benefit. He will put \$50,000 into a custodial account for Joey and \$50,000 into a custodial account for Amber. When they turn 21, he will give them whatever is in their custodial accounts.

X - Trusts as Beneficiaries

Trusts are legal entities set up to hold property for the benefit of the trust beneficiaries. Understanding certain terms may help you better understand the operation of a trust.

Glossary of Terms

Grantor:	The person who sets up the trust and transfers title to property to the trust. (Sometimes referred to as the settlor or the trustor.)
Trust Beneficiaries:	The people or organizations named in the trust document as the recipients of the benefits held in trust. Benefits may take the form of income payments or distribution of some or all of the trust's assets. Typically, the beneficiary of a life insurance policy owned by a trust is the trust itself, rather than the individual beneficiaries of the trust.
Trustee:	The trustee can be a person or an entity, such as a bank or trust company, engaged to manage the trust assets according to the terms of the signed and executed trust document. Property transferred or purchased by the trust is held and managed by a trustee for the benefit of the trust beneficiaries. Some trusts have more than one trustee. In these cases, the trust document should state whether an individual trustee may act independently with respect to trust property or whether all trustees are required to act together. If required to act together, all trustees will be required to sign all legal documents pertaining to property held by the trust. If the trust document does not state who is required to sign when there are multiple trustees, state law will be applied.
Trust Document:	A trust document spells out the terms of the trust, including who the beneficiaries of the trust are, how property will be distributed to the trust beneficiaries, and what powers are assigned to the trustee(s), including whether the trust is permitted to purchase or hold life insurance policies.
Inter Vivos or Living Trust:	A trust set up during the grantor's lifetime. Living trusts may purchase life insurance or be named as the beneficiary of a life insurance policy owned by another party.
Testamentary Trust:	A trust established by the grantor's last will and testament that will not come into existence until the grantor's death.
Revocable Trust:	If a trust is revocable, the grantor may terminate, amend or alter the trust during the grantor's lifetime.
Irrevocable Trust:	Once an irrevocable trust is established, the grantor cannot terminate or make any changes without the consent of the beneficiaries and, usually, the courts. Many trust documents authorize the trustee to purchase life insurance on the grantor's life or on the lives of members of the grantor's family (usually the trust beneficiaries). A trust can be both the owner and beneficiary of a life insurance policy. Most insurance companies, including the Genworth Financial companies, require that the trustee sign the Trust Certification.
Preferred Wording for Trust Beneficiary	A beneficiary designation naming a trust must contain the: <ul style="list-style-type: none">• Full name of the trust• Date the trust was signed and put into effect, including month, day and year• Name of the trustee(s)

Individual Trustee	<ul style="list-style-type: none"> • Designation: The John Smith Revocable Living Trust dated January 20, 1995. Marilyn Smith, trustee, or her successors in trust. • Situation: The Insured dies. The death benefit is \$100,000. • Result: Marilyn receives the \$100,000 as trustee.
Multiple Trustees	<p>John Smith as grantor for the trust dated January 20, 1995. Marilyn Smith and Peter Peterson, trustees, or their successors in trust.</p> <p>Marilyn Smith and Peter Peterson, trustees, or their successors in trust, under the John Smith Irrevocable Trust dated January 20, 1995</p> <p>Peter Peterson and the Delaware Trust Company, Inc., as trustees, or their successors in trust, under the John Smith Irrevocable Trust dated January 20, 1995.</p>
Corporate Trustee	<p>Delaware Trust Company, Inc., as trustee, or its successors in trust, under the John Smith Irrevocable Trust dated January 20, 1995.</p>
Trust as Contingent Beneficiary	<ul style="list-style-type: none"> • Designation: Marilyn Smith, Wife of Insured, if living; otherwise to the Delaware Trust Company, Inc., as trustee, or its successors in trust, under the John Smith Irrevocable Trust dated January 20, 1995. • Situation: Marilyn dies before the Insured. The death benefit when the Insured dies is \$100,000. • Result: The Delaware Trust Company receives the \$100,000 death benefit.
Trust as Successor Beneficiary	<ul style="list-style-type: none"> • Designation: Katie Smith, Daughter of Insured, and Maxwell Smith, Son of Insured, equally. If either of the named beneficiaries is deceased at the time of the Insured's death, the share of each deceased beneficiary becomes payable to the Delaware Trust Company, Inc., as trustee, or its successors in trust, under the John Smith Irrevocable Trust dated January 20, 1995. • Situation: Maxwell dies before the Insured. The death benefit is \$100,000. • Result: Katie receives \$50,000. The other \$50,000 is paid to the Delaware Trust Company to be administered under the terms of the trust.
Trustee Under Last Will and Testament	<ul style="list-style-type: none"> • Designation: The trustee, or successors in trust, under the Last Will and Testament of John Doe, Insured, as admitted to probate. However, if John Doe dies without a valid will or if no trust is created within 90 days, the proceeds of this policy will be paid to the Insured's executor or administrator. • Situation: The Insured dies. His family cannot find his will. The death benefit is \$100,000. All his property is owned jointly with his wife. No probate would normally be needed. The \$100,000 is more than allowed under the state "small estate" probate rules. • Result: The family must open a probate proceeding and have an executor appointed. The executor receives the \$100,000.

“Informal Trusts” and “For the Benefit of”

It is not desirable to identify an individual as a “trustee” where no written trust exists. If the term “trustee” is proposed under such circumstances, or proceeds are directed to be paid to one “for the benefit of” the insured’s child, it might be useful to explore whether it would be better for the applicant to describe the proposed trustee as “custodian under the [state] Uniform Transfers (or Gifts) to Minors Act for such child.” See Section on UTMA and UGMA.

If the policyowner insists upon using wording naming one individual “for the benefit of” another where no trust exists, the wording provided in the example below should be used.

- **Designation:** John Doe, Jr., Spouse of the Insured, for the benefit of Pete Doe, and Ashley Doe, Children of the Insured. The Company shall not be liable for the disposition of the proceeds by John Doe, Jr., to whom proceeds are paid for the benefit of Pete Doe and Ashley Doe. Payment to and receipt of the proceeds by John Doe, Jr. shall fully discharge the Company from all liability to the extent of such payment.

Situation: The Insured dies. The death benefit is \$100,000.

Result: John Doe, Jr. receives the \$100,000. He holds the money “for the benefit” of the two children. This designation may not create a trust. And depending on state law, he may be able to do almost anything he wants with the money.

XI - Estates as Beneficiaries

If a policyowner wants the estate of the insured to receive the death benefit, the proceeds will be payable to the Executor (or Administrator or Personal Representative). This person is often nominated in a person’s Last Will and Testament and is appointed by the probate court to settle the estate of a decedent. Do not name a particular individual in the beneficiary designation, because an executor, administrator or personal representative cannot be known until the insured dies.

Preferred Wording

- The Estate of the Insured
- John Doe’s Estate
- The Executors (or Administrators) of the Insured’s Estate

XII - Divorce Decrees and Settlement Agreements

Many divorce decrees or property settlement agreements require one party to carry life insurance for the benefit of the former spouse or the children. It is important that any beneficiary designation be written to comply with the insured’s obligation under a property settlement agreement or divorce judgment. When requesting a beneficiary designation of this type, include a copy of the relevant part of the property settlement agreement or divorce decree.

Outstanding Obligation Under Property Settlement Agreement

- **Designation:** To Josephine A. Goodrich, Former Spouse, irrevocably, an amount equal to the outstanding obligation under the property settlement agreement between the parties dated June 19, 1997, but at no time to exceed \$310,000. The remainder, if any, to Christine A. Dew, Daughter of the Insured, if living, otherwise, to Julie L. Gregory, Daughter of the Insured, if living. The Company may rely upon evidence satisfactory to it of the amount of the obligations of the Insured to Josephine A. Goodrich pursuant to the property settlement agreement described in this provision and shall be fully discharged from liability upon payment of the proceeds in reliance upon such evidence.

Situation: When the Insured dies, he still owes Josephine \$375,000 under the property settlement agreement. The death benefit is \$450,000. Both Christine and Julie are alive.

Result: Josephine receives \$310,000. Christine gets \$140,000. Julie gets nothing.

Alimony

- **Designation:** If, at the time the proceeds become payable, there remains any outstanding obligation of the Insured to pay alimony to Lorene Doe, as provided in a judgment for the dissolution of marriage issued May 1, 2002, then an amount equal to such outstanding obligations to Lorene Doe, Former Spouse of the Insured, irrevocably. Remaining proceeds, if any, to be paid to the Executor or Administrator of the Insured's estate.

Situation: The judgment requires the Insured to pay Lorene \$1,000 a month alimony until she is 65. The Insured dies on Lorene's 60th birthday. The death benefit is \$100,000. Lorene and the Insured's estate agree that the present value of the remaining five years of alimony is \$50,000, and that is ratified by the court.

Result: Lorene receives \$50,000. The Insured's estate receives \$50,000.

Child Support

- **Designation:** If, at the time the proceeds become payable, there remain any outstanding child support obligations of the Insured to Lorene Doe under the Property Settlement and Support Obligations Agreement, dated July 10, 2008, then an amount equal to such obligations to Lorene Doe, Former Spouse of the Insured, irrevocably. Remainder, if any, to be paid to the Executor or Administrator of the Insured's estate.

Situation: The Agreement requires the Insured to pay \$700 a month in child support until the child is 18, or, if the child is in school, until age 21. The amount increases 3% a year but cannot exceed 25% of the Insured's adjusted gross income. When the Insured dies, the child is 14 years old. The death benefit is \$100,000. Lorene and the Insured's estate cannot agree on the amount of the future obligations due. The court, after several hearings and many months, rules that it is \$57,000.

Result: Lorene receives \$57,000. The insured's estate receives \$43,000. [Both receive a little interest because it took so long before the claim could be paid out.]

XIII - Business Insurance – Key Person (Employee) Life Insurance

To help protect against the financial loss that can result from the death of a key employee, businesses often purchase life insurance on the lives of key employees. The life insurance is owned by and payable to the company, so the ownership and beneficiary designations should be the same.

NOTE: To preserve the income tax free status of employer-owned life insurance, employers should comply with the notice and consent requirements of Internal Revenue Code § 101(j).

Sole Proprietor

- **Designation:** John Doe, DBA The Smith Company, a sole proprietor.

Situation: The Insured is a key employee of The Smith Company. The death benefit is \$100,000.

Result: John Doe receives a check for \$100,000.

Note: This designation would be used only when a key employee and not the business owner is the insured. The sole proprietorship will end when the owner dies. Therefore, if the sole proprietor is the insured, the sole proprietorship should not be the owner and beneficiary of the life insurance policy.

Partnership

Smith and Jones, Anytown, Virginia, a partnership.

Limited Liability Company

Smith and Jones LLC, Anytown, Virginia, a limited liability company.

Corporation

The Smith Corporation, its successors or assigns.

XIV - Business Insurance – Buy-Sell Agreements

A buy-sell agreement is a contract for the sale and purchase of a business interest. The buy-sell may take the form of a contract between:

- Two or more owners of the business,
- The business and one of the owners, or
- An owner and a third party who is interested in owning the business.
- Sometimes a trust or escrow account is also used in buy-sell arrangements.

The agreement specifies the terms for the purchase and sale of the business interest in the event of the current owner’s death, disability or withdrawal from the business, and identifies the purchasing and selling parties.

The purchase of life insurance insuring each “selling” owner helps ensure that some or all of the cash needed to complete the purchase is available at the death of an owner. The owner and beneficiary of the life insurance policy should be the same in most situations. This party should be the purchasing party (or a trustee) named in the agreement. A separate policy on each insured should be used. In addition, joint ownership arrangements should be avoided because they may cause adverse tax consequences.

NOTE: To preserve the income tax free status of employer-owned life insurance, employers should comply with the notice and consent requirements of Internal Revenue Code §101(j).

Beneficiary Designations – Business is Buying the Business Interest

Partnership Smith and Jones, Anytown, Virginia, a partnership.

.....
Limited Liability Company Smith and Jones LLC, Anytown, Virginia, a limited liability company.

.....
Corporation The Smith Corporation, its successors or assigns

Beneficiary Designations – Co-Owner of the Business or Third Party is Buying the Insured’s Business Interest

- Based On Purchasing Party**
- Peter Jones, Partner of the Insured.
 - Peter Jones, business associate of the Insured.
 - Jeff Employee, key employee of the Insured, pursuant to a purchase agreement dated January 30, 2006.

Beneficiary Designation – Trusteed Buy-Sell Agreement

Trustee as Owner Clark Kent, trustee for the Smith and Jones Trusteed Buy-Sell Agreement dated January 2, 2006, or his successors in trust.

XV - Special Provisions – Spendthrift Clause

If a beneficiary pledges their interest in the policy as collateral for a loan, a spendthrift clause may be used in a trust or will to ensure pledged death proceeds are not paid to a third party.

Acceptable Beneficiary Wording To the extent allowed by law, the proceeds of this policy shall be exempt from the claims of creditors.

XVI - Special Provisions – Simultaneous Death Clause

Simultaneous Death (also called “Common Disaster” or “Time Clause”) wording is used to determine who should receive the death benefit if the Insured and a beneficiary die under conditions in which it is impossible to determine who died first.

Acceptable Beneficiary Wording

- **Designation:** To Mary and Mitchell, children of the Insured, equally and to the survivor. If any Beneficiary dies simultaneously with the Insured or under such circumstances as it is impossible to determine who died first or during the 30 days immediately following the date of the Insured’s death, the proceeds of this Policy shall be paid as if the deceased Beneficiary had died before the Insured.

Situation: Mary and Mitchell both have children. The Insured and Mary are in a car accident. The Insured dies at the scene. Mary lives another 10 days and dies.

Result: Mitchell receives the entire death benefit.

The length of time may be reduced or lengthened, but Genworth limits the number of days to not longer than 180.

XVII - Special Provisions – Provision for Disclaimed Death Proceeds

Written disclaimers are useful in post-death estate planning. They allow the designated beneficiary of property to refuse the property prior to receipt so that it can pass to another without incurring additional gift or estate taxes. The following wording can be used if the use of a disclaimer is a possibility.

Acceptable Beneficiary Wording

- **Designation:** To Mary Doe, Spouse of the Insured, if living; provided, however, if at the time of the Insured’s death, Mary Doe is not living or if, prior to payment, the Company receives evidence satisfactory to it that Mary Doe disclaims all or a portion of the proceeds, then the proceeds disclaimed shall be paid to Cressida Doe, Daughter of the Insured.

Situation: When the Insured dies, the family tax advisor determines that it would be better if Mary did not receive the \$100,000 death benefit. Mary signs a written disclaimer form renouncing her interest in the death benefit.

Result: Cressida receives the \$100,000.

XVIII - Special Provision Settlement Options

When death proceeds are to be paid under a settlement option other than lump sum, wording may be included in the designation indicating how the proceeds should be paid. Most commonly used settlement options are acceptable such as applying the proceeds to be paid over life only, life with a period certain or refund option, period certain, or a specific amount for as long as the proceeds last. Others may be possible with prior approval of Genworth Financial.

XIX - Creditor Beneficiaries

It is preferable to use a collateral assignment form rather than name a creditor as a beneficiary of the policy. When a collateral assignment form is executed, the policyowner cannot make changes to the policy to the detriment of the creditor (such as reducing the face amount or surrendering the policy) without the creditor's consent. The advantage to the policyowner is that the collateral assignment limits proceeds to the amount of the outstanding liability and is relatively easy to use. The form clearly defines the rights of each party.

If Applicant Declines Use of Collateral Assignment Form

- **Designation:** If, at the time the proceeds become payable, there exists any outstanding obligation of Timothy Doe to Dover Bank pursuant to a loan agreement, dated May 15, 2005, then an amount equal to the balance of such obligation, or the entire proceeds, if less, shall be paid to Dover Bank; remaining proceeds, if any, shall be paid to the Estate of the Insured. The Company may rely upon evidence provided to it of the amount of the obligation of Timothy Doe to Dover Bank, as described in this provision, and shall be fully discharged from liability upon payment of the proceeds in accordance with this provision in reliance upon such evidence.

Situation: When the Insured dies, Timothy still owes Dover Bank \$13,000. The death benefit is \$100,000.

Result: Dover Bank receives \$13,000. The Insured's estate gets the other \$87,000.

- **Designation:** To Dover Bank, as its interests may appear in loan agreement number 42-123456 between John Smith and Dover Bank dated May 1, 2005. The remaining death proceeds, if any, to Mary Smith, Wife of the Insured. The Company may rely upon evidence provided to it of the amount of the obligations of John Smith to Dover Bank, as described in this provision, and shall be fully discharged from liability upon payment of the proceeds in accordance with this provision in reliance upon such evidence.

Situation: When the Insured dies, John still owes Dover Bank \$113,000. The death benefit is \$100,000.

Result: Dover Bank receives \$100,000. Mary gets nothing.

XX - Appendix – Uniform Transfers (Gifts) to Minors

State	UTMA or UGMA	Age of Majority*	State	UTMA or UGMA	Age of Majority*
Alabama	UTMA	21	Montana	UTMA	21
Alaska	UTMA	18	Nebraska	UTMA	21
Arizona	UTMA	21	Nevada	UTMA	18
Arkansas	UTMA	21	New Hampshire	UTMA	21
California	UTMA	18	New Jersey	UTMA	21
Colorado	UTMA	21	New Mexico	UTMA	21
Connecticut	UTMA	21	New York	UTMA	21
Delaware	UTMA	21	North Carolina	UTMA	21
D.C.	UTMA	18	North Dakota	UTMA	21
Florida	UTMA	21	Ohio	UTMA	21
Georgia	UTMA	21	Oklahoma	UTMA	21
Hawaii	UTMA	21	Oregon	UTMA	21
Idaho	UTMA	21	Pennsylvania	UTMA	21
Illinois	UTMA	21	Rhode Island	UTMA	21
Indiana	UTMA	21	South Carolina	UGMA	21
Iowa	UTMA	21	South Dakota	UTMA	18
Kansas	UTMA	21	Tennessee	UTMA	21
Kentucky	UTMA	18	Texas	UTMA	21
Louisiana	UTMA	18	Utah	UTMA	21
Maine	UTMA	18	Vermont	UGMA	18
Maryland	UTMA	21	Virginia	UTMA	18
Massachusetts	UTMA	21	Washington	UTMA	25
Michigan	UTMA	18	West Virginia	UTMA	21
Minnesota	UTMA	21	Wisconsin	UTMA	21
Mississippi	UTMA	21	Wyoming	UTMA	21
Missouri	UTMA	21			

* The listed ages should not be considered definitive, and the grantor and trustee of UTMA/UGMA trusts should refer to the statutes in the respective state or consult legal counsel for determination and verification of the applicable date. In some states, the actual age at which custodial trust terminates or property is transferred may be dependent upon the circumstances of the transfer, including but not limited to: the date the custodial account was established, the irrevocable nature of the gift, the earlier death of the minor, an earlier age specified by the donor, or the ability of the trustee to extend the age of majority under certain circumstances (usually not beyond 25).

Source: American Council of Life Insurers, ACLI Law Survey, August 2009

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