

What is a beneficiary?

A beneficiary is someone who is designated to receive the proceeds of a life insurance policy or other financial account upon the death of the policyholder or account owner. This person can be a spouse, child, relative, friend, or even a charity. Naming a beneficiary is an important aspect of life insurance, and it's important to understand the implications of the decision. In this blog post, we will explore what a beneficiary is and what you need to know when naming one.

1. **Definition of a Beneficiary** A beneficiary is someone who is entitled to receive the proceeds of a life insurance policy, retirement account, or other financial account after the death of the policyholder or account owner. The policyholder or account owner designates the beneficiary when the policy or account is created, and they can make changes to the beneficiary designation at any time during their lifetime.
2. **Types of Beneficiaries** There are two main types of beneficiaries: primary and contingent. A primary beneficiary is the person or people who will receive the proceeds of the policy or account if they outlive the policyholder or account owner. A contingent beneficiary is the person or people who will receive the proceeds if the primary beneficiary is unable to or unwilling to accept the proceeds. It's important to name both primary and contingent beneficiaries in case the primary beneficiary predeceases the policyholder or account owner.
3. **Importance of Naming a Beneficiary** Naming a beneficiary is important because it ensures that the policy or account proceeds will be distributed according to the policyholder or account owner's wishes. If a beneficiary is not named, the proceeds will be distributed according to the policy or account's default provisions or state law. This may not be in line with the policyholder or account owner's wishes.
4. **Who Can Be a Beneficiary?** A beneficiary can be anyone, including a spouse, child, relative, friend, or charity. It's important to choose someone who is trustworthy and responsible, and who will use the proceeds for the intended purpose. For example, if the policy or account is meant to cover funeral expenses, it's important to choose a beneficiary who will use the proceeds for that purpose.
5. **Considerations When Naming a Beneficiary** When naming a beneficiary, there are several things to consider. First, it's important to name both primary and contingent beneficiaries. Second, it's important to keep the beneficiary designation up to date. Third, it's important to choose a trustworthy and responsible beneficiary. Fourth, it's important to consider the tax implications of naming a beneficiary. Finally, it's important to consider the impact of the beneficiary designation on the estate plan.

In conclusion, a beneficiary is an important aspect of life insurance and other financial accounts. It's important to understand what a beneficiary is, who can be a beneficiary, and what to consider when naming a beneficiary. By taking the time to carefully consider these factors, you

can ensure that your wishes are carried out and your loved ones are taken care of after your passing.