

# **Servicemembers Group Life Insurance (SGLI)**



**Office of the Staff Judge  
Advocate  
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**354 FW/JA**

**Legal Assistance & Preventive  
Law  
Pamphlet Series**

## **INTRODUCTION**

When it comes to Servicemembers Group Life Insurance (SGLI) benefits, many military members simply sign the form and never think about it again. However, there are many nuances to SGLI that you need to know. SGLI is a group term life insurance for members of the armed forces, purchased by the government from private insurers, and partially subsidized by the government. As of 20 August 2013, active duty, reserve and National Guard members are automatically insured for \$400,000 and spouses are automatically insured for \$100,000, unless you opt out in writing -- so know your benefits under the program. Insurance can also be purchased in \$50,000 increments up to \$400,000.

## **WHY CHOOSE SGLI?**

SGLI is specifically tailored to meet the needs of military members. Government subsidization makes SGLI more affordable than many of its counterparts. Most importantly, however, it does not contain clauses on pre-existing conditions, war, or suicide, like many private plans. SGLI covers you while you are on active duty and allows a 120 day grace period following your separation from the military during which you are still insured.

## **CHOOSING A CUSTODIAN OR TRUSTEE**

In determining the appropriate vehicle to disperse the SGLI proceeds, there are two potential choices. First, you may establish a trust in your will and direct that the proceeds go to the trust. Among the disadvantages of doing so, however, are court and legal expenses which will be incurred and deducted from the SGLI funds. Also, all proceeds must be paid to the

beneficiary at the age of majority regardless of the minor's maturity level. This is almost always a poor choice.

Your second option is to appoint a custodian for your child under the Uniform Gifts to Minors Act/Uniform Transfer to Minors Act (UGMA/UTMA) of your state. By setting up a UGMA/UTMA account, you will avoid the expenses associated with a trust and directly appoint the person who will act as custodian and make all financial decisions for your child based on their needs and maturity. Further, there is no delay period between the distribution of SGLI proceeds to the custodian and the administration of your estate. Unlike here, in trust situations, the delay occurs due to probate time requirements. The only drawback to this approach is a lack of court supervision. However, if the custodian is someone you can truly trust, as they should be, court supervision is likely unnecessary.

## **DESIGNATING A BENEFICIARY**

An eligible beneficiary can be any person or legal entity designated by the military member on an appropriate VA form. However, if you choose not to designate a specific person and opt to write "by law" in the beneficiary section, you should be aware of potential problems. Most significantly, in some cases the "by-law" designation may lead to SGLI benefits going to unintended beneficiaries. Consider this:

*"Joe" military member had been raised by his stepfather. Joe indicated on his SGLI form that he wanted his proceeds to go "by law." However, when Joe died this designation precluded his stepfather from sharing the proceeds and the money went to Joe's natural father and mother who had nothing to do with*

*raising him. It is fairly safe to say that Joe would have preferred the money go to the man who raised him.*

As this case makes clear, you should use caution in choosing the “by-law” designation. Also, be sure to keep your designation current. If you do not, your SGLI proceeds may go to an ex-spouse or parents whether you like it or not.

Most importantly, when considering a beneficiary, remember that your SGLI policy is an independent contract and the proceeds do not become part of your estate upon your death. They are distributed independently of the assets which will be distributed through your will, according to contract principles.

#### **DESIGNATING MINORS AS BENEFICIARIES**

While it is possible to designate a minor as your SGLI beneficiary, the proceeds cannot be paid directly to a minor, except for a minor spouse. Therefore, if you designate the proceeds to go to a minor child, you must set up the appropriate trust in your will under the UGMA or leave the assets to a guardian under the UTMA which will hold the money for the child until the child reaches the age of majority. If you simply designate a minor as the beneficiary, the SGLI proceeds will not be released and used for the benefit of the minor until an adult petitions the court to act as guardian and is then authorized to administer the proceeds.

Note that members who have children from previous marriages should seriously consider establishing a trust in their will for the SGLI funds. Ordinarily, a child’s legal representative will gain control of SGLI payments. In cases where the legal representative is the member’s former spouse, there may be cause for concern

since he or she will be in control of the funds. To avoid this result, members should establish a trust and designate the trust as the beneficiary on the SGLI form.

For more information, contact the Legal Office or the Military Personnel Section.

**This pamphlet is for basic information on SGLI. It is not intended to take the place of legal advice from a Judge Advocate. There may be important exceptions in some states to the information presented here. Please contact the 354th Fighter Wing Legal Office for questions and further information.**



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