

Introduction

When it comes to Servicemen's Group Life Insurance (SGLI) benefits, many military members simply sign up and never think about it again. However, there are many nuances to SGLI that you need to know.

SGLI is a program of low cost group life insurance purchased by the government from private insurers, and partially subsidized by the government. It is available to all members of the Uniformed Services. SGLI provides the default coverage maximum of \$400,000 unless an election is filed reducing the insurance by \$50,000 increments or canceling it entirely.

In addition, the SGLI coverage includes Traumatic Injury Protection, effective December 1, 2005. This coverage provides servicemembers protection against loss due to traumatic injuries and is designed to provide financial assistance to members so their loved ones can be with them during their recovery from their injuries. The coverage ranges from \$25,000 to \$100,000 depending on the nature of the injury.

The cost for SGLI coverage is 7 cents per \$1,000 of coverage, or \$29 per month for the maximum coverage this includes a mandatory \$1 charge for TSGLI. Coverage, regardless of duty status, is 24 hours per day, 365 days per year under SGLI.

Manage your SGLI coverage using the SGLI Online Enrollment System (SOES). SOES allows Servicemembers with full-time SGLI coverage to make fast and easy changes to their life insurance coverage and beneficiary information at any time without completing a paper form or making a trip to their personnel office. To access SOES, sign into www.dmdc.osd.mil/milconnect and go to the Benefits Tab, Life Insurance SOES- SGLI Online Enrollment System.

OTHER RESOURCES

- Office of the Servicemembers' Group Life Insurance (OSGLI):
Toll-free telephone: 1-800-419-1473
- Download Form 8286, and other information:
<http://benefits.va.gov/insurance/>
- <http://benefits.va.gov/insurance/vgli.asp>

Legal Assistance Hours: By Appointment Only



374th Airlift Wing
Office of the Staff Judge Advocate
Building 315, Airlift Avenue
Yokota Air Base, Japan

DSN Phone: 315-225-8069
DSN Fax: 315-225-7180
Commercial Phone from U.S:
011-81-42-552-2510-58069
Commercial Phone from off-base Japan:
042-552-2511 (Operator), Ext 58069



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SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI)

This Brochure Includes:

- SGLI
- Choosing A Custodian or Trustee
- Designating a Beneficiary
- Minor as Beneficiary
- Principal v. Contingent Beneficiaries
- Other Resources



The information in this brochure is of a general nature and is not intended as a substitute for legal counsel.

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Why Choose SGLI?

SGLI is specifically tailored to meet the needs of military members. Government subsidization makes the 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. Simply naming the beneficiary as a trust on your SGLI will not create a trust. You should consult an attorney for assistance in creating a 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.

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 unnecessary.

Designating a Beneficiary

An eligible beneficiary can be *any* person or legal entity designated by the military member on an appropriate VA form.

If you choose not to designate your spouse, your spouse will be notified, as well as if you reduce a spouse's share.

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.

A named beneficiary will not be changed automatically by any event, such as a marriage or divorce. You must change the beneficiary if you want it changed.

Most importantly, when considering a beneficiary remember that your SGLI policy is an independent contract and the proceeds do not become

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. 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. To avoid this, you may 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.

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.

Principal v. Contingent Beneficiary

Contingent beneficiaries only take if all principal beneficiaries predecease you, unless you specify otherwise. For instance, if you name your parents as your primary beneficiaries, designating 50% to each, and one parent passes before you, then the other parent will automatically be awarded 100%. If instead you wish for a contingent beneficiary to take the principal's portion in the event of his/her preceding death, you must specify that on your form 8286 by writing something like "mother, if predeceases me, then to contingent beneficiary #1".