

Life Matters At Erie Insurance

Minors as Beneficiary Designations

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There are a number of important issues to be considered in estate planning. The proper plan design can protect a surviving spouse or heirs from undue hardship in settling an estate, minimize the effect of taxes and ultimately make sure your final wishes are carried out. When developing the estate plan, keep in mind certain assets are not subject to a will. They include items that have a beneficiary designation, such as an IRA, life insurance policy, annuity or a qualified retirement plan. Because of this, it is extremely important that proper beneficiary designations be named on these plans, especially when naming minor children as beneficiaries.

When naming beneficiaries it is a natural inclination to name your spouse as primary beneficiary and your children as contingent beneficiary. Obviously, if something happens to you or your spouse, you want to make sure your children are provided for. It is in these cases that problems can arise, as a minor cannot legally hold an asset in his or her name. In the event of a claim where the beneficiary is a minor child, insurance proceeds cannot be released to the minor child until age of majority.

In these cases a guardian, trust or trustee should be named beneficiary to ensure competent management of the proceeds for the children. By naming a children's trust as a contingent beneficiary, the proceeds can be invested and managed by a competent trustee of your choice. If a guardian is not named or a trust is not established, the probate court will appoint a guardian to administer the proceeds until the child reaches the age of majority. That process can be very lengthy and expensive.

To ensure that ERIE Family Life Insurance policyholders can name a minor child as beneficiary, a Designation of Trustee form is available for your use. **The Designation of Trustee when Minor Child Is Named as beneficiary Form**, is designed to stipulate who will be the trustee, how the proceeds will be paid out, and at what age the child will receive any remaining proceeds.

Use of this form should not substitute for a formal will or estate plan. Its purpose is to offer you a simple, cost effective way to designate a minor child as beneficiary. Proper consultation with a legal professional is advised.

Remember, if a beneficiary is not named, it will be assumed to be the "estate of the insured", which means the death benefit ends up being probated (subject to attorney fees) and ultimately distributed according to the decedent's last will and testament. Proceeds paid to your estate are also subject to the claims of creditors.