



Friday, December 19, 2018

Contingent Beneficiary Pitfalls

Seth Wenger, The Wenger Agency

Seth Wenger is an owner and insurance agent at The Wenger Agency in Baldwin and Big Rapids. He also serves on Fremont Area Community Foundation's Professional Advisory Board and the board of Lake County Community Foundation.

Life insurance provides simple peace of mind whether we are paying off debt, protecting loved ones, leaving an inheritance, or just adding financial security. Our notion to purchase life insurance and pursue peace of mind often triggers a cumbersome risk assessment process that rivals the time and complexity of a home purchase. In our instant society, we want our coverage, physicians want to get back to seeing patients, and insurance companies want to get their premium. The process can take up to 30 days and it's easy to see how a simple notion to buy insurance gets stalled, sidetracked, or even sloppy in a push to the finish line.

One important and overlooked piece of life insurance is the contingent beneficiary. Our spouse bears the greatest financial burden in the event of our passing and is typically listed as the primary beneficiary. *We meet our greatest need, our mind checks the proverbial box, and our thoughts move on.* The insurance representative mentions the possibility of our spouse passing simultaneously and recommends utilizing a contingent beneficiary. We agree this is reasonable but now have to make unanticipated choices and provide details that aren't top of mind. *We met our greatest need, our mind has checked that box, and our thoughts have moved on.* We decide that can be taken care of later...

Unfortunately, almost no one ever returns to "later." It's just not in our nature to focus on a problem we consider solved. If you pass with no primary beneficiary alive and NO contingent beneficiary, your death benefit will be paid to your general estate, often requiring probate subject to a will if present. If your heirs are minors, a separate list of hurdles arise as a guardian will be needed to manage the death benefit until the age of majority.

There are many ways to remedy these pitfalls such as adding adult children, a trust, or a charitable organization as your contingent beneficiaries. As your life's needs change, the

purpose of your life insurance changes as well. Your life insurance, your will, and your trust need your attention along the way. As your needs change, please reach out to your estate planning or financial professional to determine the right course for you.