

Minor Beneficiaries: What You Should Know



A difficult situation can become more complicated when beneficiaries are minors.

When it comes to deciding the beneficiary of your insurance coverage, it seems natural to name the child in your life. If something were to happen to you, you'd want them to be taken care of financially. However, it's important to know that insurance companies will not pay proceeds to anyone under legal age.

When a minor is a beneficiary, the money could go into a state-owned trust until the child becomes an adult or until a custodian is named. This process can take time and funds would not be available for immediate access, including funeral expenses. It's important to note that laws surrounding minor beneficiaries vary by state. To learn your state laws, consult an estate-planning attorney.

Take a look at the two scenarios below:

Jane's Story



Scenario One

Jane is a single mom who was offered life insurance at work. Her two children, ages 8 and 10, were designated as primary beneficiaries at 50% each. Tragically, Jane passed away from injuries sustained in a car accident. Since she was unaware that insurance companies would not pay out benefits to minors, the children's appointed guardian had to resolve the beneficiary designations in court. In the meantime, friends and colleagues helped the family by raising funds to cover immediate expenses and Jane's funeral costs.

Scenario Two

Jane worked with an estate-planning attorney to name her best friend as her children's guardian and the custodian of her life insurance policy. She included specific instructions for the benefits to be used for funeral expenses and to care for her children, with any remaining funds to be put towards her children's college expenses. After working with her estate-planning attorney, Jane understood the implications of her decisions and felt confident her children were taken care of.

What happens when no beneficiary is listed?

If no beneficiary is listed, the insurance company will decide where the benefit payment is directed based on the provisions of the policy.

Before naming your beneficiaries, you may want to consult with a legal advisor to discuss your options and make your intentions clear through a will and estate planning.

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