

ADVANCED
MARKETS

Opportunities & Traps with Insurance Beneficiary Planning



Underwritten by
United of Omaha Life Insurance Company
A Mutual of Omaha Company

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Naming the estate as the beneficiary



Not naming a contingent beneficiary



Naming a third party as beneficiary

“To ABC Funeral Home in Appletown, WI as their interests may appear and the remainder to _____”



Naming a minor child as beneficiary





Naming a person that receives Medicaid,
SSI or other public assistance

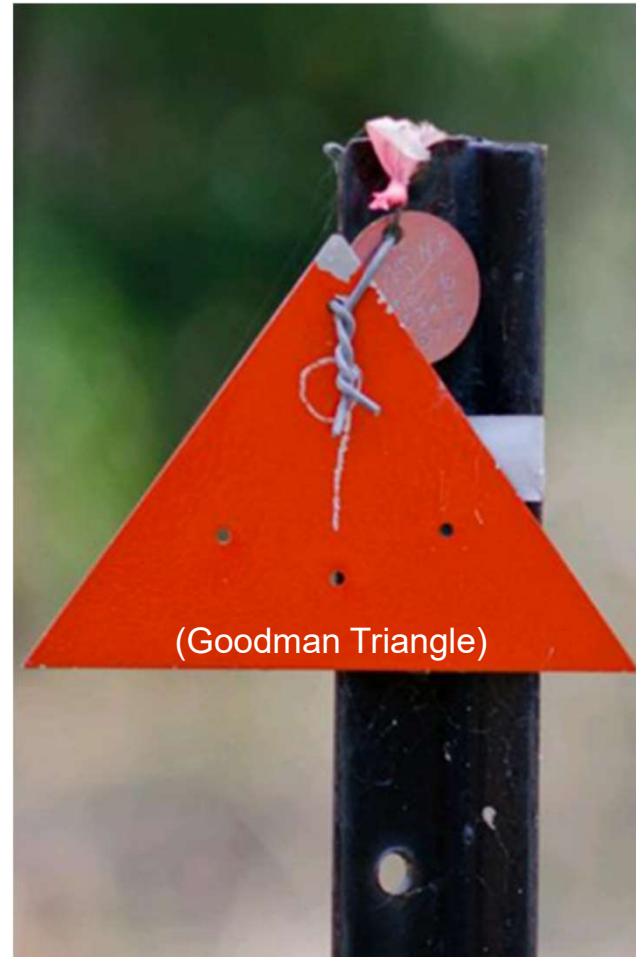
Not naming
the spouse in
a community
property state



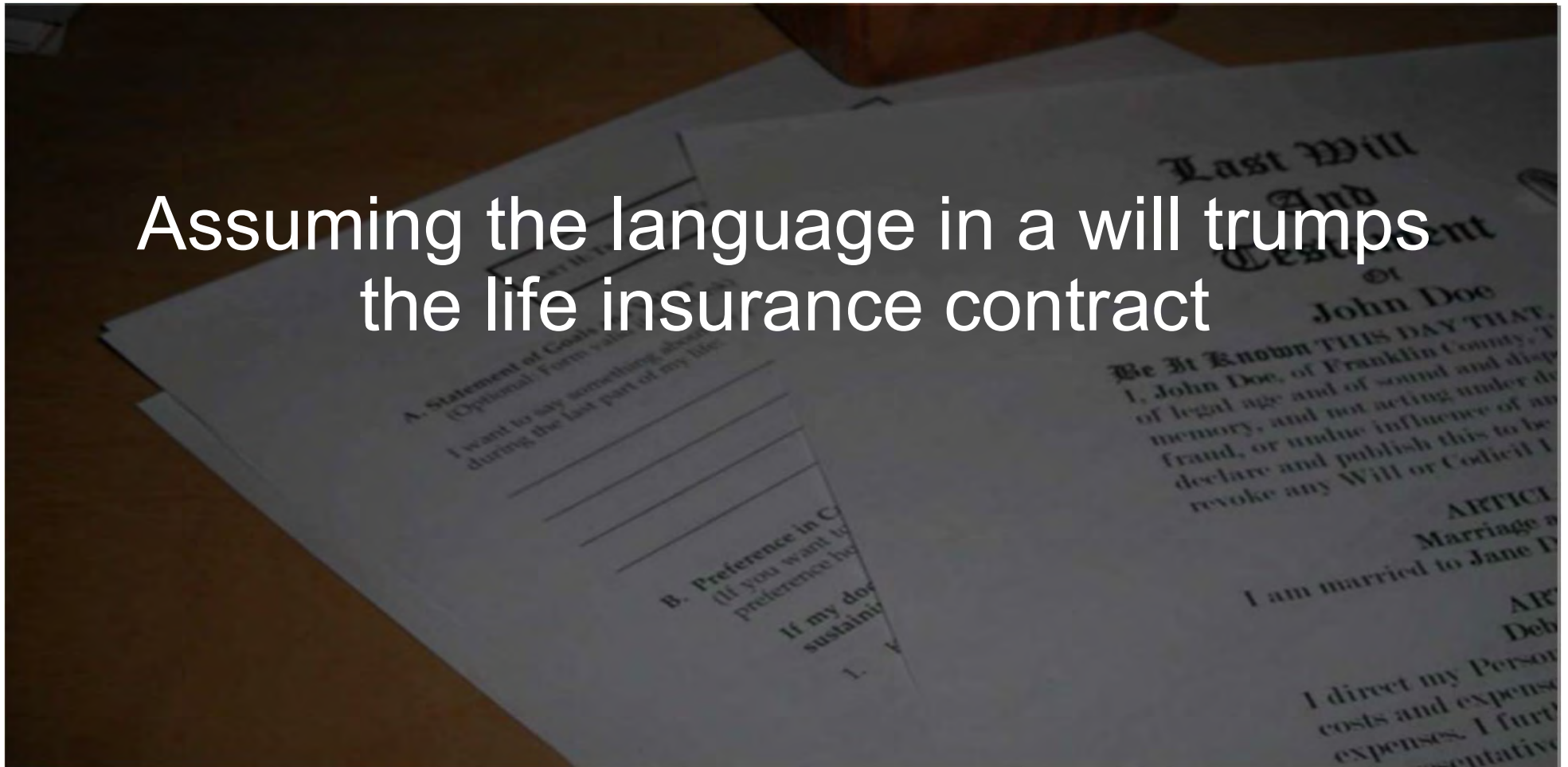
Unclear beneficiary designation in applications & policies



Allowing three parties to a life insurance contract

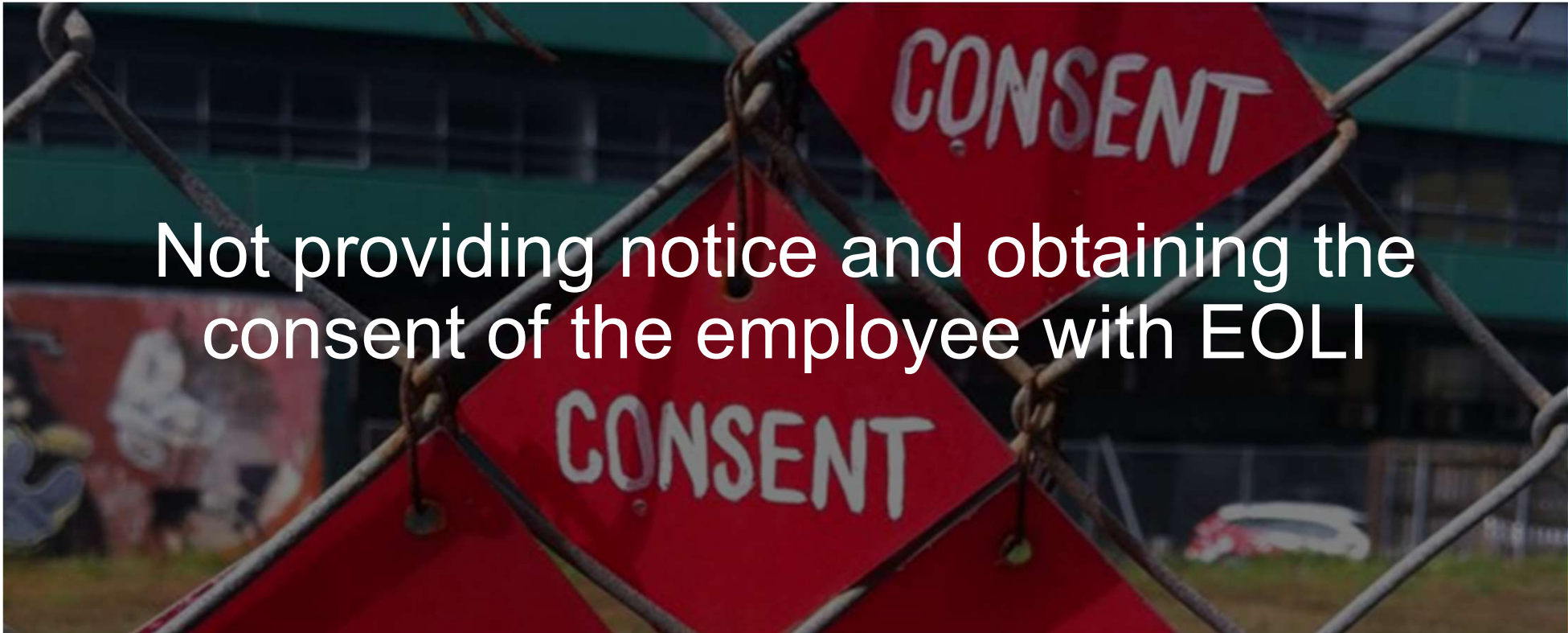


Assuming the language in a will trumps
the life insurance contract



Assuming the beneficiary designation automatically changes due to waiver clause in a divorce decree





Not providing notice and obtaining the consent of the employee with EOLI

AFN 40375 101(j)

UNITED OF OMAHA LIFE INSURANCE COMPANY
A MUTUAL of OMAHA COMPANY

EMPLOYER OWNED LIFE INSURANCE POLICIES
Acknowledgement

Section 101(j) of the Internal Revenue Code ("IRC") became effective on August 18, 2006. This section provides that when an applicable policyholder (employer or related party) is the owner and beneficiary of a life insurance policy insuring the life of an employee, the death benefit may be taxable. The tax consequence can be avoided if the insured is a member of a class exempted from this treatment by IRC section 101 (j) and notice and consent requirements have been satisfied.

It is the employer's responsibility to obtain appropriate tax and legal advice regarding the tax and legal consequences of death benefits paid for employer owned life insurance. This document is not intended to provide legal or tax advice.

Employer acknowledges that if the policy applied for is or may be employer owned as defined in IRC section 101, it may be required to obtain written consent from the insured employee prior to issuance of the life insurance policy and annually file applicable tax forms with the Internal Revenue Service. The consent should include, but not be limited to, the following statements: (1) that the employee understands that life insurance on his or her life is being applied for by the employer and the maximum face amount of insurance for which the employer could be insured; (2) that the employee consents to being insured under such insurance; (3) that such insurance coverage may continue after the insured terminates employment from employer; and (4) that the employer will be the beneficiary of any proceeds payable upon the death of the employee.

Signature of Authorized Officer of Employee _____
Print Name _____
Position or Title _____ Date _____
Employee Name _____
Employee/insured's Printed Name _____

PLEASE RETURN THE SIGNED ORIGINAL COPY TO UNITED OF OMAHA LIFE INSURANCE COMPANY AND LEAVE A COPY WITH THE EMPLOYER

Sample

EMPLOYER-OWNED LIFE INSURANCE
Section 101(j) – NOTICE AND CONSENT

Sample Document - For Attorney Use Only.

This sample form may be given to the client's legal counsel for consideration. It is not adapted to the specific circumstances or objectives of any individual client, nor has it been prepared to meet the legal requirements of any particular state.

All legal documents should be prepared only by a licensed attorney.

NOTICE OF EMPLOYER'S INTENT TO INSURE EMPLOYEE'S LIFE

(“Employee”) is being notified by _____
 (“Employer”) pursuant to Internal Revenue Code Section 101(j) that:

1. Employer intends to apply for life insurance on Employee's life
2. The maximum face amount for which Employee could be insured at the time the policy is issued is \$ _____ (the actual face amount may be less)
3. Employer will be a direct or indirect beneficiary of proceeds payable on death of Employee.

EMPLOYEE ACKNOWLEDGEMENT

Employee acknowledges receipt of the above notice and consents declines to:

1. The Employer purchasing life insurance on Employee's life, as stated above
2. The life insurance policy remaining in effect after Employee terminates employment with Employer.
3. The Employer being a direct or indirect beneficiary of any death proceeds payable.

Employee Signature _____ Date _____

Print Name _____

Form 8925

Form 8925 (Rev. January 2010) Department of the Treasury Internal Revenue Service (99)		Report of Employer-Owned Life Insurance Contracts ▶ Attach to the policyholder's tax return—See instructions.		OMB No. 1545-0089 Attachment Sequence No. 160
Name(s) shown on return		Identifying number		
Name of policyholder, if different from above		Identifying number, if different from above		
Type of business				
1	Enter the number of employees the policyholder had at the end of the tax year	1		
2	Enter the number of employees included on line 1 who were insured at the end of the tax year under the policyholder's employer-owned life insurance contract(s) issued after August 17, 2006. See Section 1035 exchanges on page 2 for an exception	2		
3	Enter the total amount of employer-owned life insurance in force at the end of the tax year for employees who were insured under the contract(s) specified on line 2	3		
4a	Does the policyholder have a valid consent (see instructions) for each employee included on line 2? <input type="checkbox"/> Yes <input type="checkbox"/> No			
b	If "No," enter the number of employees included on line 2 for whom the policyholder does not have a valid consent	4b		

<p>General Instructions</p> <p>Section references are to the Internal Revenue Code unless otherwise noted.</p> <p>Purpose of Form</p> <p>Use Form 8925 to report the number of employees covered by employer-owned life insurance contracts issued after August 17, 2006, and the total amount of employer-owned life insurance in force on those employees at the end of the tax year. Policyholders must also indicate whether a valid consent has been received from each covered employee, and the number of covered employees for which a valid consent has not been</p>	<p>that employs the person insured under the employer-owned life insurance contract and (b) the direct or indirect beneficiary of the employer-owned life insurance contract.</p> <p>Related person. A related person is considered a policyholder if that person is (a) related to the policyholder (defined earlier) under sections 267(b) or 707(b) (1), or (b) engaged in a trade or business under common control with the policyholder. See sections 52(a) and (b).</p> <p>Employee. Employee includes an officer, director, or highly compensated employee under section 414(q).</p> <p>Insured. An individual must be a U.S.</p>	<p>reasonably expects to purchase with regard to the employee during the course of the employee's tenure. Additional notice and consent are required if the aggregate face amount of the employer-owned life insurance contracts with regard to an employee exceeds the amount of which the employee was given notice and to which the employee consented. See Q&A-9 and Q&A-12 in Notice 2009-48.</p> <p>2. Provide written notification to the employee that the policyholder will be a beneficiary of any proceeds payable upon the death of the employee.</p> <p>3. Receive written consent from the</p>
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The structure of the policy can impact the tax benefit to owners and beneficiaries of life insurance contracts

Review Policies
Regularly & Don't
Keep Them a
Secret



Beneficiary Designations Guide

#625582



Beneficiary Designations Guide

Drafting a Clear Beneficiary Designation

Identification Information

Include both the name of the beneficiary and their identifying information. Such as their relationship to the insured, date of birth, address, phone number and Social Security number.

Example:

- John Doe, spouse of insured, DOB 1/1/1951, 123 Main St., Omaha, NE, 68175, Ph: 123-123-1234, SS# 000-00-0000, 100%
-

Multiple Beneficiaries

When there is more than one beneficiary, define who should receive the benefit and how the benefit is to be split. If unequal shares are requested, only percentages should be used to establish portions, and those percentages should add up to 100%.

Examples:

- John Doe, spouse of the insured, DOB 1/1/1951, 75%
 - Jane Smith, sister of the insured, DOB 5/5/1970, 25%
-

Irrevocable Beneficiary

Most beneficiary designations are revocable. Meaning the owner can change the beneficiary at any time. There are situations where an irrevocable beneficiary designation may be required (i.e., due to a divorce decree or property settlement) but otherwise this designation is discouraged. The owner loses control of the policy benefits, and no change of beneficiary, assignment, surrender, loan, etc. can be made without the written consent of all irrevocable beneficiaries.

Examples:

- Jack Doe, Irrevocable Beneficiary, SS# 000-00-0000, 100%
- Jane Doe, former spouse, Irrevocable Beneficiary under dissolution of marriage judgement, dated 5/30/09, 100%

Beneficiary Designations Guide

- Goodman Triangle
- Payments
- Insurable interest
- Spousal Waiver
- Per Stripes vs. Per Capita
- Primary & Contingent Beneficiaries
- UTMA / UGMA Contracts
- Annuity beneficiary Designations
- Other Special Beneficiary Designations
- Changing a Beneficiary

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