

*"From Where I Sit ..."*

## The Importance of Properly Naming Beneficiaries!



It breaks my heart each time I receive a phone call about the death of a minister in our Retirement Plan and I pull his or her file and discover that the beneficiary information is not up to date or incomplete. What are we to say to a grieving family member when the insurance proceeds needed to bury their loved one are tied up or delayed because necessary records were not updated? Perhaps we can address the issue by considering both the principle and the practice that surrounds the notion of naming beneficiaries.

In principle an insurance policy requires the naming of a beneficiary. The same is true of the Retirement Plan. Someone should be named as a beneficiary to receive the retirement proceeds in the event of the participant's death prior to retirement. But in naming a beneficiary, some basic understandings are inherent:

- 1) A chosen beneficiary should be an adult (at least 18 years of age). In most states, insurance proceeds and/or retirement benefits may not be paid to a minor. In such cases, a court order may be required and that court may elect to receive and hold the proceeds or benefits in trust for the minor beneficiary until the beneficiary reaches the age of 18. This delay in payment to the beneficiary may not have been the intention of the insured participant, but only the court can speak for the dead when these circumstances have not been considered in life.
- 2) The insured or the participant cannot be his or her own beneficiary. Naming yourself as your beneficiary, is not only impractical, it is fruitless. No matter how much you may believe in life after death, it doesn't apply to insurance proceeds or retirement benefits. In fact, naming yourself as your beneficiary is probably worse than not having a beneficiary at all.
- 3) Not naming a beneficiary is also not an option. If you do not name a beneficiary, there are likely two alternatives for proceeding; a) relying on the insurance company to identify and name a standard distribution schedule and b) relying on the decision of a court (i.e. probate court). Neither of these alternatives come with speedy delivery of proceeds or benefits.



In the past, most documents that requested the designation of a beneficiary provided an area or space to name only one beneficiary. Although this procedure simplified the process, it also created a problem when the beneficiary died before or predeceased the insured and the insured did not have an opportunity to complete the process of naming another beneficiary. Companies sought



to solve this problem by providing an area or space on the document to name primary as well as contingent or secondary beneficiaries. Accordingly, the primary beneficiary(ies) would be expected to receive the entire amount of the insurance proceeds at the death of the insured. However, if the primary beneficiary(ies) died before the insured, then the contingent or secondary beneficiary(ies) would receive the entire amount of the insurance proceeds at the death of the insured. This "back-up plan" of the insured would be followed, even if the insured had not had an opportunity to name a new primary beneficiary(ies).

The above speaks to the principles, but let us also consider the practical especially in the life of the CME Church. The first opportunity to name a beneficiary is on the enrollment form for the CME Retirement Plan. This form call for the naming of a primary beneficiary and a contingent beneficiary to receive the benefits of the Retirement Plan AND a primary beneficiary and a

contingent beneficiary to receive the proceeds from the term life insurance policy. For this form to be fully completed, the applicant should have completed each of the four areas. But at minimum, a primary beneficiary should be named for the Retirement Plan AND a primary beneficiary should be named for the Insurance.

The second occasion to name beneficiaries would occur when completing a change of beneficiary form. Separate change of beneficiary forms exist for the Retirement Plan and the Insurance proceeds. A beneficiary form should be requested as soon as possible in the aftermath of either of the following:

- 1) The death of a spouse
- 2) Divorce
- 3) Remarriage
- 4) The death of a named beneficiary
- 5) A change in your family relationship [impacting your named beneficiary(ies)].

Read the instructions carefully and if in doubt about proceeding, contact your financial advisor. Although persons in our office can answer simple questions, we are prohibited from offering financial advice. *[For an additional perspective on this topic, please review the article in the March, 2012 Christian Index.]*

In most cases, the person(s) you choose as beneficiary(ies) of your Retirement investment and insurance proceeds, is also the person(s) you have identified to take care of your final arrangements. Accordingly, it is important that everything is in place to aid them in honoring your wishes during a most difficult time. Taking the time while you are living to insure that your beneficiary choices are current and up to date is the best way to assure your loved ones are spared unnecessary grief and pain. Or at least that is the way it looks to me ...

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