



## OFFICE OF THE STAFF JUDGE ADVOCATE

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# SERVICEMEN'S GROUP LIFE INSURANCE PROGRAM

In 1965, Congress created the Servicemen's Group Life Insurance (SGLI) program to allow members to provide short-term financial security for their families. Most civilian life insurance policies, at that time and even now, did not pay if a member was killed in a war or military action. Upon your death, the insurance company will, through the SGLI program, send a check to your chosen beneficiary for up to \$400,000 (lump sum or in payments). This money goes directly to whomever you chose – but you must make your choice clear!

### **Who can be your beneficiary?**

You can name a person, trust, corporation, charity, church, or any other legal entity.

### **What happens if I write “by law” as the beneficiary?**

The federal law creating SGLI states payments made “by law” will be distributed in the following order of precedence: (1) surviving widow or widower; (2) children in equal shares; (3) parents in equal shares; (4) your estate and distributed in accordance with your last will and testament or by state law if you did not have a will.

The SGLI law defines widow/widower, child, and parent. Those definitions do not include step-parents, however, and do not always include step-children, foster children, or illegitimate children.

***My wife and I are separated and I think she had an affair. If my form says “by-law,” will she get my SGLI?*** Yes. To ensure she does not receive it, accomplish a new SGLI form and name a specific person instead of using “by-law.”

***If I use “by-law”, will my stepfather be considered a “parent?”***No. Step-parents are not included in the federal definition of parent. Name your step-father on the form to make him a beneficiary.

***I have never been married. I have a child with a girl I knew in high school. Will my child get paid under “by law?”*** Maybe. Your child can be paid if it can be proven that you or a court took one of several very specific actions to acknowledge paternity prior to your death. The best idea would be to specifically name your child or consider a trust (see below).

### **What happens if I write “by will” as the beneficiary?**

The money will be sent to your estate once your will is probated. Once in your estate, your SGLI money, just like all other assets in your estate, can be used to pay any unpaid debts or bills. We strongly recommend against the use of “by will” on your SGLI form. It can take months for your loved ones to get your money and, depending on how much personal debt you have, can result in your loved ones getting nothing.

## Special Cases – Children, Unborn Children, and Children from Multiple Marriages

***My wife and I have two children but will have more in the future. How can I designate my children?*** You appoint your children by name and update it after every birth or you can use one of the following examples:

- To my child(ren)
- To my children from my marriage to (Name of your spouse and/or ex-spouse)
- To my children from my marriage to Sue Beam Jones
- To my children from my marriage to Sue Beam Jones and to Mary Ann Parks Jones

A minor child will not receive the money personally. It will be paid to the guardian of their property to spend on behalf of the child. The guardian will have to be appointed by the court after your death. Many state courts have rules requiring the guardian to post a bond and/or may limit the amount of money that can be spent on the minor each year. The distribution of the SGLI by the insurance company will be delayed until a guardian is appointed by the court. Once the child reaches 18, the remaining money will be turned over to your child.

### Examples – Bad Choices at Work

Joe was 20 years old when he died. He left behind a loving fiancée, Jan, and stepmother, Jen, whom he was close to. He was estranged from his natural mother, Mary, after a recent fight. His natural father, Paul, had recently died. When he entered the military, he put “by law.” Who received the payment? (Ans: His natural mother.)

Fred was 35 years old when he died. He was the father of four boys from his first marriage. He had recently married again but the marriage was on the rocks because his new wife, Lola, did not like his children. He put “by law” on his SGLI paperwork. Who received the payment? (Ans: His new wife.)

Sara was 24 years old when she died. She left behind her boyfriend, Jeff, and her parents, Jane and Fred. On her SGLI form she put “by will,” but no will was found. Who received payment? (Ans: No one yet. If no will is located within a year, her parents will likely receive the payment.)

Sam was 40 years old when he died. He left behind five children from his first marriage but no spouse. When he died, he was heavily in debt and owed over \$300,000 to the bank. On his SGLI, he put “by will.” In his will, he had everything go to his children. Who received the payment? (Ans: His estate, because he put “by will.” Once the debts of the estate were paid, only \$10,000 was left for the children. What if he had put “by law” or had named the children? Then all of the money would have gone to the children in equal shares.)

*This brochure is designed to inform, not to advise. No person should ever apply or interpret any law without the aid of an attorney who knows the facts and may be aware of any changes in the law.*