



CREATING AN SGLI TRUST

Legal Assistance Office, Office of the Staff Judge Advocate
101st Airborne Division (Air Assault)



1. PURPOSE: To inform clients how to best coordinate their SGLI proceeds to “pour over” into their Will and be distributed as part of a Trust or UGMA/UTMA account.

2. Can SGLI proceeds be paid to a Will?

a. Yes. Servicemember’s Group Life Insurance (SGLI) proceeds are not part of your estate for distribution under your Will unless you specifically name your Will as your SGLI beneficiary.

b. Any service member who has SGLI coverage, or any other life insurance policies, can elect to have their insurance proceeds paid to their estate for distribution under their Will.

3. Why would I want to have my SGLI proceeds paid to my estate?

a. First, your SGLI proceeds may be the largest asset that you own. If this is the case, and you want to establish a trust for your spouse or children, then these SGLI proceeds could fund any trust that you create in your Will.

b. State and federal laws prohibit directly paying inheritance or life insurance proceeds to minor children. This means that if you name a minor child as a beneficiary of your SGLI, the proceeds will not be paid until such time as a custodian is appointed to manage the funds for the minor. Under most Wills, and all Wills drafted by the Legal Assistance Office, provisions are included for you to appoint a trustee, to manage any trust that you may create, or appoint a custodian, under the Uniform Gifts to Minors Acts / Uniform Transfer to Minors Acts (UGMA/UTMA), to manage any funds for your child, until that child reaches the age of majority or the age you specify in your Will.

4. What is the downside to this?

a. The main “downside” to having your SGLI paid to your estate is that your estate may have to go through probate. Most small estates can avoid the probate process. However, trustees and custodians must be appointed, and in some cases monitored, by a court. This means that your personal representative will have to hire a civilian attorney in order to complete the probate process and insure that your estate and SGLI funds are properly handled.

b. Another “downside” is that the custodian that you name, under UGMA/UTMA, to care for your SGLI funds will have to “qualify” before a judge. This is normally a simple procedure, especially when you name someone in your Will to be the custodian, or guardian, of your children.

5. How should I designate my SGLI beneficiaries in order to pay my SGLI to my Will?

a. You must first decide whom you want to receive your assets or SGLI payment. If the beneficiary is a minor child, you must then decide whether you want the bequest to be held for the minor child’s benefit beyond the age of majority.

b. If you decide that the minor child will be responsible enough to handle a large distribution of money at age 18, and you do not have someone who you trust to be competent enough to administer the money



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for the minor child, then you should have your SGLI proceeds paid to your children's guardian under a UGMA/UTMA account. You should name your minor child SGLI beneficiaries as follows:

"To my children [list them by name], in equal shares, or if any of my children are minors, then to their guardian pursuant to the UGMA/UTMA."

c. If you decide that you do not want your minor child to receive a large money distribution at age 18, and you have someone you trust to competently administer the money for that minor child until they reach an age that you determine is suitable to receive the money, then you should establish a "Testamentary Trust" (meaning a trust created in your Will) into which your SGLI proceeds will be paid. To do this, you should name your minor child SGLI beneficiaries as follows:

"To my children {list them by name}, in equal shares, or if any of my children are minors, then to the Trust established in my Will."

6. Who do I contact if I need more information? Further information may be obtained at the Fort Campbell Legal Assistance Office, 125 Forrest Ave., Fort Campbell, (270) 798-4432.