



OFFICE OF THE STAFF JUDGE ADVOCATE  
101ST AIRBORNE DIVISION (AIR ASSAULT) AND FORT CAMPBELL  
CLIENT SERVICES  
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## DEPOSITING A SGLI IN A TESTAMENTARY TRUST

**Why to have your SGLI proceeds paid to your estate?.** The Servicemembers' Group Life Insurance (SGLI) can be "poured over" into a Will and be distributed as part of a Trust or UGMA/UTMA account. Since SGLI proceeds may be the largest asset that you own, if you want to establish a trust for your spouse or children, then these SGLI proceeds could fund any trust created in your Will.

Besides, 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 the court appoints a guardian or conservator to receive and manage the funds for the minor. Under most Wills, and all Wills drafted by Legal Assistance attorneys, provisions are included for you to appoint a trustee, to manage any trust that you may create. Furthermore, under the Uniform Gifts to Minors Acts / Uniform Transfer to Minors Acts (UGMA/UTMA) you may also appoint a custodian to manage any funds for your child, until that child reaches the age of majority<sup>1</sup> or the age you specify in your Will.

**How can a SGLI proceeds be paid to a Will?.** Servicemembers' Group Life Insurance (SGLI) proceeds are not part of your estate for distribution; however, service members whom have SGLI coverage, or any other life insurance policies, can elect to have their insurance proceeds paid to their estate for distribution under their Will, if they specifically name the Will as their SGLI beneficiary.

**How to designate the SGLI beneficiaries in order to pay the SGLI to your Will?.** 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. 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 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.*"

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.*"

**Disadvantages of paying SGLI proceeds to your estate.**(1) -a. 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. The custodian that you name 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.(2) If the will is lost or destroyed .....(3) If you have personal debts.....SGLI money can be used to pay any unpaid debts or bills like the rest of the other assets in the state....

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<sup>1</sup> The majority of age in the different states range from age 18 to 21. In Tennessee it is 18 years of age or graduation from high school, whichever is later; in Kentucky it is 18 years of age, or 19 if attending high school.

**More Information.** You may request further guidance at the Fort Campbell Client Services Office, Building 2765 Tennessee Avenue, at 29<sup>th</sup> Street, (270) 798-4432.