



Introducing the Re-Designed Optional/Spousal Life Insurance Program and The Importance of Designating a Beneficiary

The NSTU Group Insurance Trustees are pleased to announce a re-designed Optional / Spousal Life Insurance program effective August 1, 2014. This program will include revised pricing that will introduce male / female, smoker / non-smoker pricing for the first time in the NSTU Optional / Spousal Life Insurance program. Many members overlook this benefit as part of their overall financial planning.

What is Optional Life Insurance?

Optional Life Insurance is a convenient and practical way to provide and assist with the financial needs of your family in the event of your death. In case of death, Optional Life Insurance provides a tax-free lump sum paid to your designated beneficiary. Optional Life Insurance allows you to choose the amount of coverage that is right for you. When choosing coverage, you may wish to consider short term needs such as funeral expenses, long term needs such as your family's future on-going expenses or relief from debt, and your existing financial assets such as investments and savings.

As mentioned above, the re-designed program will incorporate male / female, smoker / non-smoker rates for all members and spouses currently insured. The implementation of the pricing methodology will align the NSTU program with other optional life programs in the marketplace from both a demographic and competitive perspective. At the time this article is printed, you will have already received a memo from the NSTU Group Insurance Trustees regarding this program. Take some time to review and be sure to submit your declaration to ensure you are placed in the proper rating category.

The Importance of Designating a Beneficiary

The importance of designating a beneficiary can be overlooked in your overall financial planning. In the midst of our busy lives, we forget to take care of this very important item when it comes to our insurance coverages.

The NSTU Group Insurance Trustees hope the information below will encourage members to take care of this important detail when it comes time to review or designate your beneficiary for the first time.

Beneficiary Designation

You should review and/or designate a beneficiary for any of your Life and/or Accidental Death & Dismemberment policies you may have through the NSTU Group Insurance Program. One of the main advantages of designating a beneficiary is that the proceeds of the policy are excluded from your Estate upon your death.

Through this exclusion, the proceeds are free from claim by any creditor of your Estate. The proceeds are excluded because legal title irrevocably transfers upon your death and the proceeds become payable to your beneficiary(ies) at that time. Another good reason to designate a beneficiary is to ensure that Life Insurance proceeds are distributed based on your wishes. A signed and up-to-date Beneficiary Designation Form will make certain that this occurs.

Contingent Beneficiary

A contingent beneficiary is another option to consider. If your primary beneficiary dies before you do, the contingent beneficiary will receive the proceeds of the policy. This ensures your wishes will still be met if you are unable to change your designation. As an example, you may have been seriously injured in an accident that killed your beneficiary or you and your beneficiary were killed in a common accident. More commonly, you may simply forget to change your declaration after a loved one dies.

Minor Children

Generally speaking, a minor should not be designated as a beneficiary. In most situations, a better alternative would be to appoint a trustee to receive the insurance proceeds on behalf of a minor. The trustee is then responsible for managing and using the funds in accordance with your instructions. The laws covering minors and trustees are complex and different from province to province. Therefore, if you want to leave funds to a child, you may wish to check with a financial advisor to help ensure that life insurance proceeds are distributed based on your wishes.

Additionally, if you appoint a trustee to manage life insurance proceeds for a minor, you should also be aware that unless you indicate on the beneficiary designation form that the trustee is only to receive the life insurance proceeds on behalf of the minor until the age of majority, the trustee will receive life insurance proceeds on behalf of the minor even after the minor reaches the age of majority. You should consider indicating the following if you have minor children as beneficiary(ies) with an appointed trustee: "I appoint _____ as trustee to receive any amount due to any beneficiary under the age of majority."

Please take a moment to think about your beneficiary designation and if they are up to date. If your life has changed recently, i.e. married, birth of a child, etc., you may need to revisit your beneficiary designations. If you are not sure of your beneficiary nomination, due to privacy, you, the member, may contact Johnson Inc. or check the Johnson Inc. Members-Only website.

If you have any questions with regard to the above, please do not hesitate to contact Johnson Inc. at 453-9543 (local) or 1-800-453-9543 (toll-free).

[From The Teacher, June 2014, Volume 52 Number 8, page 30 © NSTU 2014]