LIFE INSURANCE PLANNING

Reconsider Naming Minor Children as Beneficiaries

In most states, life insurance proceeds cannot be paid directly to a minor. Without the right planning in place, the result is court involvement — slow, costly, and restrictive.

WHAT HAPPENS WITHOUT A PLAN

01

COURT TAKES CONTROL

When a minor is named as beneficiary and no arrangement is in place, proceeds typically fall under court-supervised guardianship — a formal legal process that can take months to establish in many jurisdictions.[A]

Months

TYPICAL SETUP TIME IN MANY STATES[A]

02

COSTS REDUCE THE BENEFIT

Attorney fees, court filing costs, ad litem fees, and annual bonding requirements can consume thousands of dollars — all drawn from the proceeds meant to support the child.[B]

$3,500+

ATTORNEY FEES ALONE, PLUS COURT COSTS[B]

03

ACCESS IS TIGHTLY RESTRICTED

Once established, the guardian may need court approval before spending money — even for housing, tuition, or medical bills. Annual court filings are often required for the entire duration of the guardianship.[C]

Age 18

WHEN FUNDS MAY BECOME UNRESTRICTED

SMARTER WAYS TO LEAVE LIFE INSURANCE FOR CHILDREN

OPTION 1 — NAME A TRUST AS BENEFICIARY

NO COURT SUPERVISION
A properly drafted trust allows the trustee to manage and distribute funds without seeking court approval for each disbursement.

CONTROL WHEN AND HOW FUNDS ARE USED
The trust document specifies what the money may be used for — education, healthcare, living expenses — and can extend control beyond age 18.

FUNDS AVAILABLE PROMPTLY
Insurance proceeds can be paid directly to the trustee — no guardianship petition, no delays waiting for court action.

OPTION 2 — NAME YOUR ESTATE OR A UTMA CUSTODIAN

ESTATE AS BENEFICIARY
Proceeds flow through the will, which can direct how funds are held or distributed for children. Works best when a will and estate plan are already in place.

UTMA CUSTODIAN DESIGNATION
In most states, naming a custodian on the policy under the Uniform Transfers to Minors Act allows proceeds to be paid without court involvement for smaller benefit amounts.[D]

SIMPLER, LOWER COST
A UTMA designation can eliminate the need for a formal trust or court process — though the child receives full control of remaining funds at the state's age of majority.

IMPORTANT REMINDER

A small amount of planning today prevents significant complications later.

Each family's situation is different. An estate planning attorney can help determine whether a trust, UTMA designation, or estate-beneficiary approach is most appropriate. This material is for informational purposes only and does not constitute tax, legal, or accounting advice.

[A] Munich Re, *The Challenge of Minor Beneficiaries* (munichre.com): naming a legal guardian can cost thousands of dollars and may take several months in some jurisdictions. [B] Adair Buckner Law, *How Much Does It Cost to Set Up a Guardianship?* (adairbuckner.com, 2025): attorney fees $1,500–$3,500+; court costs $1,000+; ad litem fees $350 to several thousand dollars. [C] Cowles Thompson, *Why an Insurance Company Will Not Pay Out Policy Proceeds to a Minor* (cowlesthompson.com, 2024): guardian may need court approval per disbursement; annual accounting filings required. [D] LegalClarity, *Minor Life Insurance Beneficiary: Rules and Your Options* (legalclarity.org, April 2026): every state except South Carolina has adopted some version of the UTMA; most insurance companies accept a UTMA custodian designation.

QUESTIONS? CONTACT YOUR ADVISOR
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