



Who will get my life insurance benefit

When you take out a life insurance policy one of the most important decisions you'll make is determining who will receive the benefit in the event of your passing.

This decision ensures that your loved ones are financially protected, and your wishes are honoured.

Who receives the benefit?

Generally, the policy owner will receive any terminal illness, Total and Permanent Disability (TPD), Trauma, and Income Protection benefits that become payable. How a life insurance benefit is paid differs depending on whether its paid outside or within super.

Outside super

For Life Insurance Cover held outside super, the benefit amount will be paid to a surviving policy owner or the insured person's estate. Where a

beneficiary has been nominated on a policy, they will receive the death benefit.

Inside super

Where cover is held through:

- **Super:** the life insurance company pays the benefit to the trustee of the superannuation fund, who determines who will receive the benefit in accordance with the governing rules of the Fund and superannuation law.
- **Self-Managed Super Fund (SMSF) or approved superannuation fund:** the life insurance company pays the benefit to the trustee of the SMSF or approved superannuation fund, and they will determine who will receive the benefit in accordance with the governing rules of the SMSF or approved superannuation fund (as applicable) and superannuation law.

Nominating beneficiaries

How beneficiaries are nominated differs outside and within super.

Outside super

A nominated beneficiary is the person or entity you choose to receive the life insurance payout. You can name one or multiple beneficiaries, and you can specify the percentage of the benefit each will receive – all nominations must be in whole numbers and total 100%.

Common choices include:

- **Spouse or partner:** Often, people designate their spouse or partner as the primary beneficiary to ensure they can cover living expenses, mortgage payments, and other financial obligations.
- **Children:** Naming your children as beneficiaries can help secure their future, covering education costs and other essential needs.
- **Trusts:** Some policy holders prefer to set up a testamentary trust to manage the life insurance proceeds. This can be particularly useful if you have minor children or want to ensure the funds are used in a specific way.

Charities: You may choose to leave a portion of your benefit to a charitable organization, supporting a cause that is important to you.

Inside super

A super death benefit can generally be paid only to the deceased member's dependants defined under superannuation law as being a spouse (including de facto partner), a child, a financial dependant or an interdependent relation); or to the member's legal personal representative (**LPR**), who is either the executor of the will or administrator of the deceased estate. If after making reasonable enquiries, a super fund's trustee cannot find a deceased member's dependant or LPR, it may be able to pay the death benefit to another individual if the fund's governing rules allow it.

Why nominating a beneficiary is important

- **Control and certainty:** It ensures that the death benefit goes to the person or people you choose, providing peace of mind that your wishes will be honoured.
- **Avoiding probate:** Probate is a legal process where the court confirms the death of a will-maker and the validity of the will. Without a designated beneficiary, insurance proceeds and super death benefits become part of your estate and generally must go through probate, which can be time-consuming and costly.
- **Tax efficiency:** Life insurance payouts to a nominated beneficiary outside super are generally not subject to tax.

nixon financial services pty ltd
corporate authorised representative

Gisborne Ph: (03) 5428 0123 Sunbury Ph: (03) 9744 2400

Email: info@nixonfs.com.au Web: www.nixonfinancialservices.com.au

Bob Nixon (AR 264149), Joel Plowman (AR 1256299), Umair Javed (AR 467512) and Sharon Tee (AR 246173)
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- **Family harmony:** Clear beneficiary designations can help disputes among family members about how the money should be distributed.

Updating your beneficiaries

Life changes, such as marriage, divorce, the birth of a child, or the death of a beneficiary, may necessitate updating your beneficiary nominations. It's crucial to review your beneficiaries regularly to ensure your life insurance policy reflects your current wishes.

The claims process

When a claim is made, the life insurance company will require a death certificate and other relevant documentation to process the benefit payout. The process is designed to be straightforward and compassionate, ensuring your beneficiaries receive the funds as quickly as possible.

Legal considerations

It's important to be aware of any legal implications when nominating beneficiaries. For example, in some jurisdictions, spouses or other family members may have certain rights to the benefit, regardless of the named beneficiaries. It is highly recommended that you contact us so that we can help you navigate these complexities.

By carefully selecting and regularly updating your beneficiaries, you can ensure that your life insurance policy provides the intended financial support to your loved ones, giving you peace of mind that they will be taken care of in your absence.

Sources

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4. <https://www.comparethemarket.com.au/life-insurance/beneficiaries-benefits/>

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