



## Deciding who should own the policy and who should be insured



### Who is the insured?

The person whose life is insured is called the “insured” and the person paying the premiums is called the “policy owner.” Generally, the policy owner and the insured are the same person, although this is not required.

Since an endowment policy provides life insurance, it is generally best to insure the person paying the premiums. For example, if a parent buys an endowment to help fund a child’s education, the parent should be the insured. Then, if the parent were to die before maturity, the death benefit would fully fund the policy and immediately pay the lump sum to the beneficiary. *NOTE: If there is no named beneficiary, the death benefit will be paid to the estate of the policy owner.*

In the case where the owner and insured are two different people, for example, if a grandparent pays the premium (owner) and the adult child is the insured, then:

- The owner will need the insured’s permission to take out a policy on his or her life. In addition, the insured has certain rights to privacy over his or her medical information under a variety of governmental regulations. Consequently, the owner will have access to the insured’s medical information and must have the insured communicate directly with Gerber Life.
- There must be an insurable interest between them. An insurable interest means that there is a relationship between the person applying for insurance and the person whose life is to be insured. In addition, there needs to be a reasonable expectation that the owner will benefit if the insured continues to live and that the life insurance will replace all or a portion of the economic value of that benefit. For example, spouses, parents and grandparents have insurable interest in each other and their children.



“Owner”/“Insured”      “Beneficiary”

(over, please)



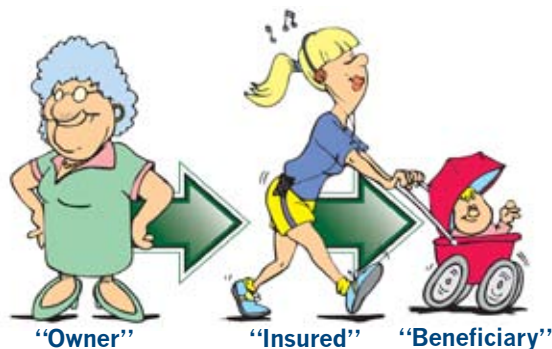
## Who is the policy owner?

The person responsible for paying the premium is called the “policy owner” and the person whose life is insured is called the “insured.” Generally, the policy owner and the insured are the same person, although this is not required.

Most commonly, the policy owner/insured is the parent of the child for whom the college savings is being accumulated.

The owner will receive the maturity benefit and can decide what to do with it, and has the right to name and change the beneficiary at any time by providing written notice to Gerber Life’s administrative offices. The beneficiary will only receive money if the insured dies before maturity. The owner controls the cash value in the policy, can take loans against the policy, and is responsible for paying all income taxes due when the policy creates taxable income. If the owner dies before maturity, the policy’s value will be included in his or her estate.

In addition to parents, another good choice as policy owner is an adult who has some financial responsibility for the child, such as a grandparent. Grandparents may find it attractive to insure their child and to make a grandchild the beneficiary.



Using this structure, the grandparent retains ownership of the policy and controls the naming of the beneficiary, the cash value, and the ultimate use of the lump sum paid at maturity. This structure will, however, make the grandparent responsible for paying income taxes on the cash value growth later on in the life of the policy. In addition, since someone other than the grandparent is the insured, no death benefit will be paid if the grandparent dies before the policy matures. A death benefit will be paid if the adult child – the insured – were to die before the policy’s maturity.

If the grandparent is the policy owner and dies before the policy reaches maturity, either the adult child can continue to pay premiums or the grandparent could have a life insurance policy established that will pay enough premium to cover the endowment to maturity. Grandparents may also want to consider funding the endowment with a lump sum.

For example, if a grandparent has a Certificate of Deposit earning a low rate of interest, he or she may wish to use that money to buy a “paid-up” endowment. We can provide quotes on “paid-up” endowment policies if that is something that interests you.



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