

THE VALUE OF NAMING A BENEFICIARY – ONTARIO



Use Manulife segregated fund contracts and Guaranteed Interest Contracts (GICs) to bypass probate and save money.

In Ontario, the value of naming a beneficiary can be significant. If you name a beneficiary, an insurance company is obligated, under the *Insurance Act*, to pay any death benefit proceeds to the named beneficiary on record. Because the death benefit proceeds do not pass through the estate, they not only avoid the delays of settling the estate but also bypass probate and other

estate administration fees. In Ontario, probate fees on assets over \$50,000 are 1.5 per cent. Other estate administration, accounting and legal fees could be another five per cent or more depending on the complexity of the estate. Bypassing probate also preserves confidentiality as probate is a matter of public record; payments made by insurance companies are a private matter.

The value of bypassing probate Based on \$200,000 example in Ontario

| FEE | STRUCTURE | MUTUAL FUND (\$) | SF OR GIC ¹ (\$) |
|-------------------|---|------------------|-----------------------------|
| DSC | 0% to 6% Waived at Manulife ² (4.5% used in this example) | 9,000 | 0 |
| Probate fee | \$250 + \$15 per \$1,000 > \$50,000 | 2,365 | 0 |
| Executor's fee | Varies by province – up to 5% for corporate executors (1% used as majority name family members) | 1,910 | 0 |
| Legal fees | 0.5% to 3% of assets + Accounting fees (3% used in this example) | 5,730 | 0 |
| Total cost | | 19,005 | 0 |

For illustration purposes only. Costs will vary depending on the province, complexity of the estate and length of time the assets were held in the segregated fund contract. This table illustrates a scenario of what could happen if an investor were to die in the fourth year of a contract with DSC applicable at a fourth-year rate (4.5%).

¹ Refers to segregated fund contract and Manulife Investments Guaranteed Interest Contract.

² Note that Manulife Mutual Funds will waive the DSC on the death of the owner.

When you name a beneficiary with Manulife segregated fund contracts and GICs you can keep more of your money in your family.

MANULIFE SEGREGATED FUND CONTRACTS AND GICS GO ONE STEP FURTHER – DSC AND SURRENDER CHARGES WAIVED

In addition to the general advantages of avoiding probate and other estate administration fees, potential protection from creditors and the timely payment of a death benefit, Manulife segregated fund contracts and GICs also waive all redemption (back end) charges when the death benefit is paid.

ASSETS NOT SUBJECT TO THE DECEASED'S CREDITORS

When assets flow through an estate (which generally occurs when non-registered assets are paid by financial institutions other than insurance companies), they may become vulnerable to the deceased's creditors. For beneficiaries, this could mean a substantially smaller inheritance.

OTHER OPTIONS FOR REDUCING PROBATE FEES

Placing assets with an insurance company is one of the easiest and most effective ways to bypass probate and reduce the cost of probate and other estate administration fees. Other options do exist, although some may not provide the same convenience and may have negative consequences, such as loss of control or immediate taxation on a deemed disposition of part of the assets. Options also vary from province to province, and should be entertained by an individual only after consultation with legal and accounting representatives. Some of these options include: owning assets jointly with right of survivorship, such as a joint bank account or jointly-held real property; owning real estate outside the province; keeping other property outside the province (eg. boat); donatio mortis causa (gifts in contemplation of and dependant on death).

FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR OR VISIT [MANULIFE.CA/INVESTMENTS](https://www.manulife.ca/investments)

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