



Tax, Retirement &
Estate Planning Services

INVESTMENT
INSIGHT

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% (4.5% used in this example) ²	9,000	0
Probate fee	\$250 + \$15 per \$1,000 > \$50,000	2,365	0
Estate Administration Fees	Executor: Varies by province (up to 5% for corporate executors) Legal and Accounting: Varies depending on complexity (Total fees: 1.5% of assets used in this example)	2,865	0
Total cost		14,230³	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 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 Many fund companies, including Manulife Investments, may waive the DSC or low-load sales charge on the death of the owner.

³ DSC is calculated based on original cost. Other estate fees are based on the value of the contract less DSC charged on the redemption.

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. Although many fund companies, including Manulife Investments, may also waive the redemption charges on the death of the owner, mutual fund assets would still flow through the estate.

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); gifting assets while alive.

For more information, please contact your advisor or visit manulife.ca/investments



The commentary in this publication is for general information only and should not be considered investment or tax advice to any party. Individuals should seek the advice of professionals to ensure that any action taken with respect to this information is appropriate to their specific situation. Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts as well as the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Manulife Funds are managed by Manulife Investments, a division of Manulife Asset Management Limited. The Manufacturers Life Insurance Company is the issuer of the Manulife Investments Guaranteed Interest Contract (GIC). The Manufacturers Life Insurance Company is the issuer of insurance contracts containing Manulife Segregated Funds and the guarantor of any guarantee provisions therein. Manulife, the Block Design, the Four Cube Design, and Strong Reliable Trustworthy Forward-thinking are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.