

*Manulife*

*Insights*

*Economic and market views*

*Tax views*

*Industry initiatives*

*Insights*

*Manulife Investments*

*Tax views*

*Estate planning and segregated fund solutions: The value of naming a beneficiary*

*Consider a Segregated Fund Solution*

*Benefits of naming a beneficiary*

*Creditor protection*

*Death benefit guarantees*

*Pay benefits directly*

*Speed of payment*

*No Fees*

*Privacy*

*In Saskatchewan the advantage of preserving a client's confidentiality does not apply as jointly held property and insurance policies with a named beneficiary are identified on the application for probate despite the fact that these assets do not flow through the estate and are not subject to probate fees.*

*Control*

*Annuity Settlement Option*

When reviewing one's estate plan, I think segregated funds should be considered. This is because you can name a beneficiary on both non-registered and registered contracts. And with the ability to name a beneficiary comes several powerful benefits. To begin with, there are certain benefits you can enjoy before you pass away, namely, the potential for creditor protection. In provinces other than Quebec, if you name a beneficiary irrevocably or of the family class—and by that I mean the beneficiary is the parent, child, spouse or grandchild of the annuitant—you have the potential for creditor protection while you're alive. Creditor protection may be of particular interest to professionals and business owners. While the potential for creditor protection while you're alive is a very powerful benefit, there are many other estate planning benefits that come with segregated funds, and these come because of the ability to name a beneficiary and having a death benefit paid directly to them outside of your estate. Assets that flow through your estate may be subject to your estate creditors. By naming a beneficiary on a segregated fund contract and having the asset flow outside of your estate and directly to the named beneficiary, you, generally speaking, avoid estate creditors. Because provincial legislation protects insurance companies against recourse when they pay out a death benefit, the death benefit can usually be paid within two weeks of receiving all required documents. These documents do not require a copy of a probated will, which can delay distributions from an estate for months or years. So the value of being able to make a timely payment to a beneficiary in their time of need and sorrow can be extremely valuable to your beneficiaries and loved ones. The death benefit payout from a segregated fund contract is paid without any fees. If, on the other hand, assets flow through your estate, they may be subject to executor fees, which can run as high as 5% of the value of your estate, never mind any additional potential

probate fees that might apply in the province that you live in. By having a death benefit of a segregated fund contract being paid directly to one's beneficiary, you avoid the asset being dealt with under your will and potentially being submitted for probate. This provides a privacy benefit for individuals, because when your will is submitted for probate, it becomes a matter of public record. For some people, this privacy benefit or advantage of naming a beneficiary with a segregated fund contract is of significant value. Furthermore, because the asset flows outside of your will, you don't have to worry about your will being challenged. This is of particular value for people in British Columbia, where they have the *Wills Variation Act*. Finally, using a segregated fund and the ability to name a beneficiary allows you to retain control of the asset while you're still alive and still take advantage of all the estate planning benefits. This is as compared to other strategies, like naming someone as a joint owner with right of survivorship. That comes with many complications. These complications can increase the potential for litigation and relate to issues such as control of the asset while the individual is still alive. As well, what happens to the asset on their passing? Does it flow back through their estate, or does it go to the surviving joint owner? They also influence the tax reporting issues. And finally, they could expose the asset to the creditors of the new joint owner. Another option, a no-cost option, is something we call the annuity settlement option. This allows you to structure the death benefit payout in the form of an annuity or for the beneficiary to receive instalment payments as opposed to a lump sum. As you can see, there are a number of reasons why one may use a segregated fund contract as a complement or part of their overall estate planning. Thank you.

*Speak to your advisor about Manulife Segregated Fund Solutions*

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