



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

Phone: 604 980-6227 or 1-800-432-9707

www.jbenefits.com

March 2014

Life and AD&D Beneficiary Designation

Keep your beneficiary information up-to-date

The Importance of Your Beneficiary Choice

In the [January 2014 Journal](#), we discussed properly designating a beneficiary for your RRSP. It is equally as important to ensure that your life insurance and accidental death benefits have an up-to-date beneficiary. Your beneficiary designation tells the insurer where to direct any payments upon your death. If things have changed in your life since you designated a beneficiary, take a moment to review your policies and make sure they reflect your current wishes.

You may appoint anyone you wish (see Change in Quebec Law, below), including a charity, school or other organization. Appointing a beneficiary will ensure the proceeds of your life and accidental death benefits are paid to the intended recipients. These proceeds are paid directly, outside of the estate, and are therefore free of taxes and liabilities of the estate.

If you do not appoint a beneficiary, the insurance proceeds will be paid to your estate and distributed based on the instructions in your will. Be aware though that these proceeds are then subject to estate taxes and creditors, and may not be distributed as you expect or desire.

Revocable versus Irrevocable Beneficiaries

In all provinces and territories other than Quebec, appointing a beneficiary, with no other instructions, is considered revocable. This simply means that you can change a beneficiary without restrictions. If, however, the designation is documented as irrevocable, the beneficiary's consent is required to make any policy change.

In Quebec, the designation of your legal spouse (by marriage or civil union) as the beneficiary is considered irrevocable unless otherwise specified. Therefore, if you appoint your spouse, with no other instructions, you need their consent to make a change.

Contingent (or Secondary) Beneficiaries

Have you considered how you would like your death benefits paid if your beneficiary predeceases you, or there's an accident causing simultaneous death?

To avoid reducing the benefits payment to the intended recipients due to estate taxes or liabilities, we suggest you designate one or more contingent beneficiaries. When necessary, they will receive the insurance money if there are no surviving primary beneficiaries at the time of your death.

Trustees for Dependent Children

In all provinces and territories outside of Quebec, you should appoint a trustee if your beneficiaries are under the age of majority. If you don't, the death benefit proceeds will be held until the children reach the age of majority. This may result in a serious financial hardship for the individual left to raise the children.

In Quebec, any amount payable to a minor beneficiary will be paid to the surviving parent or legal guardian on the child's behalf.

Change in Quebec Law for Minor Beneficiaries

Clearly, beneficiary designations differ in Quebec from the rest of Canada. A Superior Court of Quebec ruling in 2013 has further clarified the law on who can receive proceeds on behalf of a minor beneficiary. The ruling states that death benefits must be paid to the child's parents or legal guardian, and not to any other trustee. As you can imagine, this may not be your intent, particularly in cases where the parents are divorced. If this change applies to you, we encourage you to review your beneficiary designation with legal counsel.

Johnstone's provides an *Employee Benefit Summary* specifying your beneficiary designation. To make changes, complete a change form: www.jbenefits.com/administrator-forms.html and return it to your employer who will then forward it to Johnstone's to update our records.