

BENEFICIARY DESIGNATIONS

When setting up how we want the proceeds from our group life insurance, accidental death & disablement (AD&D) insurance plans, and retirement and savings plans to be paid out in case of our death, many of us envision these funds would be used for a variety of reasons:

- To replace our income, at least for a period of time, so our family can maintain their standard of living
- To specifically provide for our spouse, children and other dependents
- To pay for funeral expenses
- To pay off debts
- To be used as a gift to a charity of our choice

It is therefore very important to properly designate the beneficiary when enrolling in group plans. And because things can change, it's important to provide employees opportunities to review this information on a regular basis to ensure their intentions are current.

Life Insurance and AD&D

Many group benefit plans include life insurance and AD&D plans for employees, and optional insurance for employees, their spouse and dependent children. When you make a beneficiary designation on Johnstone's Benefits' **Application for Group Coverage form**, you are telling the insurer(s) where to direct death benefit payments. You may appoint any person or persons you wish, or you may also appoint a charitable organization as a beneficiary. Appointing a beneficiary will ensure the proceeds of your life insurance policies, and AD&D policies (if your death is accidental), are paid to the intended recipient(s). These proceeds are paid directly, outside of your estate, and are free of taxes and estate liabilities.

Retirement Funds

For many people, funds in Registered Retirement Savings Plans (RRSPs) are often one of their largest assets. Therefore protecting these funds is an important consideration. When you die, the fair market value of your RRSP is treated as income and is subject to tax at your highest marginal tax rate. This means that if you have \$200,000 in your group RRSP, you can expect a tax bill of between \$60,000 and \$100,000, depending the value of other assets; how much other income you have that year and your province of residence.

THE JOHNSTONE'S ADVANTAGE

Our mission is simple:
Treat each client as if they were our only client.

Our value is clear:
We are completely independent. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple.**



By naming your beneficiary who is also a “qualified” beneficiary, money from your group RRSP can be transferred on a tax deferred basis upon your death.

Qualified beneficiaries include:

- ☛ Your spouse
- ☛ Your common-law partner
- ☛ A financially dependent child or grandchild who is dependent because of a physical or mental infirmity
- ☛ A financially dependent child or grandchild under the age of 18

If you appointed a non-qualified beneficiary, that person would receive the full \$200,000 from your group RRSP, however your estate would be subject to the tax.

Estate as Beneficiary

For both insurance and group RRSPs, if you choose to name your estate as your beneficiary, or if you fail to name a beneficiary, the death benefit and RRSP proceeds will become part of your estate, and will be distributed according to the terms of your will. The money will be subject to taxes and creditor claims when your estate is settled.

Revocable and Irrevocable Beneficiaries

In all provinces and territories, with the exception of Quebec, appointing a beneficiary is considered revocable – meaning you can change this at any time without restriction. If the beneficiary is designated as “irrevocable”, the beneficiary must consent to any change.

In Quebec, the designation of a legal spouse (married or common-law) is considered “irrevocable” and therefore only be changed with the spouse’s consent.

Contingent Beneficiaries

You are encouraged to consider designating contingent (or secondary) beneficiary(ies) to address the situation where your primary beneficiary(ies) pre-decease or die simultaneously with you. By designating one or more contingent beneficiaries, the insurance money would be payable to these recipients directly, free from estate taxes or liabilities.

Trustees for Dependent Children

If the beneficiary you name is under the provincial age of majority, you may want to set up a trust and designate a trustee (or administrator) in case the beneficiary is still under the legal age when you die. This person can hold and use the proceeds of the life insurance in trust on behalf of the minor beneficiary. In Quebec, benefits must be paid to the child’s parents or legal guardians, and not to another trustee. If you do not name a trustee, the death benefit, plus any interest it earns, will be held in trust by the province or territory, and will be paid out when the beneficiary reaches legal age.

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