Common Ownership Structures

A guide for insurance advisors and other client advisory professionals.

BMO Insurance

When structured properly, segregated funds can be an integral part of a sound financial plan. When it comes to estate planning specifically, segregated funds can potentially achieve several objectives for your clients:

- ✓ Provide a guarantee upon death or maturity on the amount invested
- ✓ Allow them to transfer money to their heirs in a timely and private way
- ✓ Decrease the risk of a court challenge from family members or seizure by creditors
- ✓ Avoid any applicable probate process which can take months, if not years
- ✓ Avoid estate, legal, accounting and executor fees which can reduce the amount their loved ones receive.

While every individual's financial objectives can be different, there are some guiding principles that can be used to ensure that the structure of the segregated fund policy will achieve the intended outcomes that clients want to achieve.

Segregated funds are insurance policies with unique attributes. As such, clients should review the ownership, annuitant and beneficiary designations carefully to avoid any unintended consequences.

On the following pages you will find a range of the more common ways to structure a segregated fund policy for different scenarios. Each example will demonstrate the effect the various owner(s), annuitant(s) and beneficiary(ies) will have on the continuation of the policy and potential tax implications upon the death of any of the parties involved. Use these examples to help ensure the outcome matches your clients' expectations when setting up a segregated fund.

Note: this guide does not provide any information about setting up a corporate-owned segregated fund policy.

Note

The ideas presented in this guide should be reviewed for suitability to individual circumstances. The information contained in this guide is general in nature and should not be construed as legal or tax advice. You and your clients are encouraged to seek the advice of other professionals such as legal and tax experts to ensure that the ideas presented are appropriate for the circumstances of the individual(s) for whom this plan is being considered.

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Parties To A Segregated Fund Policy

The parties to a segregated fund policy are different from traditional investment vehicles. Here's a brief summary of the role of each of these parties:

Owner
The person who enters into and owns the segregated fund policy. The policy owner is the person entitled to exercise any contractual provisions in the policy, the person who will receive the funds at maturity of the segregated fund policy, and to whom the tax slips are issued on non-registered policies. Also, the owner is able to name a successor annuitant/insured in some segregated fund policies, in which case the policy continues until both the annuitant/insured and successor annuitant/insured pass away. While for non-registered policies the owner can be different from the annuitant (see next heading), the policy owner and the annuitant must be the same person for a registered policy. Non-registered plans can also have successor/contingent owners, referred to as "subrogated owners" in Quebec.

Annuitant
In provinces other than Quebec, the annuitant is the person on whose life the maturity guarantees and age-based transactions are measured, and upon whose death the death guarantee is payable. The annuitant can be the policy owner or another person. In Quebec, this person is called the life insured ('insured') and the word 'annuitant' instead refers to the person who will receive any annuity payments while the annuitant/insured is alive (also known as the "payee" in provinces other than Quebec). Certain contracts use "annuitant" to designate the life insured in Quebec as well as the rest of Canada.

The policyowner may appoint a successor annuitant to replace a deceased annuitant (the "primary annuitant"). The successor annuitant must be named before the death of the primary annuitant for non-registered, RIF or TFSA policies (in the case of a TFSA, the successor annuitant is referred to as the "successor holder"). For a RIF or TFSA contract, only a spouse or common-law partner can be named.

If a successor annuitant is still alive when the annuitant dies, the policy will continue and no death benefit will be payable. The death benefit will be payable on the death of the last surviving successor annuitant.

Beneficiary
A beneficiary designation is a very important feature of a segregated fund policy. When a beneficiary designation is in effect, death benefit proceeds can flow directly to the named beneficiaries on the death of the last surviving annuitant and generally will be processed without the requirement for probate in provinces where probate is applicable. Also, a beneficiary designation may offer an exemption from seizure by creditors during the life of the annuitant/life insured.

A beneficiary designation may be made at any time with a written request from the policy owner (a person with a Power of Attorney is not currently permitted to name or change a beneficiary designation).

This is the person(s) named on the segregated fund policy to receive the death benefit. Beneficiaries are named by the policy owner and the benefit is paid when the last surviving annuitant/insured person passes away. A beneficiary can be anyone – a family member, a friend, or a charity. Where a minor is named as a beneficiary, the policy will terminate and proceeds will either be paid to a guardian or a trustee (depending on the jurisdiction).

Insurer
This is the company that your client enters into a policy with and that backs the guarantee provisions in the policy.

Common Estate Planning Objectives

Transfer of Non-Registered Assets to Family Members

	Objective #1: an individual (your client) wants to transfer his/her non-registered assets to their spouse upon death	**Objective #2:** two spouses want to transfer non-registered assets to their children upon death
Owner	Your client	Both spouses are joint owners with rights of survivorship
Annuitant	Your client	One spouse is named as annuitant and the other as successor annuitant
Beneficiary	Your client's spouse	Their children
Outcome	Upon the client's death, the segregated fund policy terminates and assets are paid-out to their spouse.	Upon the death of the first owner/annuitant, the policy continues and is re-registered in the name of the surviving spouse only. Upon the death of the last surviving spouse, the death benefit becomes payable to the named beneficiaries.
Tax impact	Disposition or any gain reported to the client will be taxable in their terminal tax return.	Upon the first death, there are no tax consequences. Upon the second death, there is a disposition and any gain reported to the surviving spouse will be taxable in their terminal tax return.

Important Notes On Joint Ownership

- For Joint Tenants in Common policies (where a living annuitant remains), upon the death of one of the owners, the ownership of the share belonging to the deceased becomes part of the deceased's estate unless a successor owner[1] is named. If the estate's executor elects to liquidate the deceased's portion upon receipt of instructions signed by both the estate executor and the surviving owner, that portion of the policy (inclusive of any guarantees applicable to that portion) will be surrendered and will not be eligible for a death benefit guarantee.
- In Quebec, all policies held jointly are treated similarly to "Joint Tenants in Common". To ensure the jointly-held policy can continue in a fashion similar to "Joint Owners With Rights of Survivorship" (the concept does not formally exist in Quebec), spouses should name each other as subrogated policy owners so that they can achieve the same effect.
  - » For example, for a jointly owned policy in Quebec where Alex and Betty are the owners, a policy set up with Alex named as subrogated owner for Betty and Betty named as subrogated owner for Alex which allows for a treatment similar to "Joint with Rights of Survivorship" in other provinces. Upon the death of one of the owners, the policy becomes reregistered entirely in the name of the surviving owner.

Non-Registered Policy

Transfer of Non-Registered Assets to Family Members

Owner	Successor Owner	Annuitant	Individual who dies	Beneficiary	What happens on death	Tax implications
Alex	None named	Alex	Alex	Betty (Alex's spouse)	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued to Alex's estate and the gain is taxable on his final tax return. A tax-deferred transfer to spouse is not possible as the policy terminates.
				Any adult other than spouse	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued to Alex's estate and the gain is taxable on his final tax return.
				Estate	Policy terminates and the proceeds are payable to the estate. Probate may be required as legislation varies by province.	Actual disposition. Tax slips are issued to Alex's estate and the gain is taxable on his final tax return.
	None named	Betty (Alex's spouse)	Alex	Alex	Policy continues in force since the annuitant is still living. Alex's estate now owns the policy. The death benefit is not payable as the annuitant is still living.	A tax slip is issued to Alex's estate and the gain is taxable on his final tax return. Any gain after the date of death up until the policy settlement date may be taxable to Alex's estate.
	Betty (Alex's spouse)				Policy continues in force since the annuitant is still living. Betty becomes the owner with all of the rights of the original owner, including the right to name a beneficiary.	Deemed disposition at death but no tax consequence as a spousal rollover applies for tax purposes. **Note**: If the successor owner is not the spouse, then the deemed disposition on the death of the owner would result in any gains being taxable at that time.
	Any adult other than spouse				The successor becomes owner of the policy, which is still in force since the annuitant is still living.	Deemed disposition. Tax slips are issued to Alex's estate and any gain is taxable on Alex's final tax return.

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Non-Registered Policy

Individually Owned, Successor Annuitant

Owner	Successor Owner	Annuitant	Successor Annuitant	Beneficiary	Individual who dies	What happens on death	Tax implications
Alex	None named	None named	Betty (Alex's spouse)	Any adult other than the annuitant.	Alex	Policy continues in force since successor annuitant is still living. Alex's estate now owns the policy. No death benefit is payable at this time. The policy continues as a single owner, single annuitant.	Deemed disposition. Tax slips are issued to Alex's estate as of the date of death and the gain is taxable on his final tax return. Any gain after the date of death is taxable to Alex's estate.
					Betty	Policy continues in force since one annuitant is still living. No death benefit payable at this time. Alex continues to own the policy which continues as a single owner, single annuitant policy. See single owner annuitant rules regarding death of remaining sole annuitant.	Not a disposition.
					Alex and Betty (concurrent death)	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued to Alex's estate and the gain is taxable on his final tax return.
	Carl (Adult Child)	Carl	N/A		Alex	Policy continues in force since the annuitant is still living. No death benefit payable at this time. Carl inherits the policy.	Actual disposition. Tax slips are issued to Alex's estate and the gain is taxable on his final tax return.

Non-Registered Policy

Joint Tenants with Rights of Survivorship (JTWROS), Single Annuitant* (*For policies established in all provinces except Quebec*)

Joint Owners	Successor Owner	Annuitant	Successor Annuitant	Beneficiary	Individual who dies	What happens on death	Tax implications
Alex and Betty (Spouses)	None named	Alex	N/A	Any beneficiary other than the annuitant.	Alex	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued in the name of both owners. Alex's gain is taxable on his final tax return and Betty's gain is taxable on her tax return.[4]
					Betty	Policy continues since the annuitant is still living. The surviving owner (Alex) inherits the policy. No death benefit is payable at this time.	Deemed disposition but likely not taxable since the joint owner (Alex) is a spouse eligible for a tax-free rollover. **Note**: If the joint owner is not a spouse, there is no rollover availability for the transfer of ownership, and then taxes would apply on the deceased's terminal return due to the deemed disposition at death.

* Joint Tenants with Rights of Survivorship is not applicable for Quebec residents.

Non-Registered Policy

Joint Tenants with Rights of Survivorship (JTWROS), Successor Annuitant* (*For policies established in all provinces except Quebec*)

Joint Owners	Successor Owner	Annuitant	Successor Annuitant	Beneficiary	Individual who dies	What happens on death	Tax implications
Alex and Betty (Spouses)	None named	Alex	Betty (Alex's spouse)	Any adult other than the annuitant.	One of the annuitants[2]	Policy continues in force since one annuitant is still living. Surviving owner inherits the policy.	Deemed disposition but likely not taxable since the joint owner is a spouse eligible for a tax-free rollover. **Note**: If the joint owner is not a spouse there is no rollover availability for the transfer of ownership, and then taxes would apply on the deceased's terminal return due to the deemed disposition at death.
					Both annuitants (concurrent death)	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued in the name of both owners. Alex's gain is taxable on his final tax return and Betty's gain is taxable on her final tax return.[4]

* Joint Tenants with Rights of Survivorship is not applicable for Quebec residents.

Non-Registered Policy

Joint Tenants in Common, Single Annuitant* (*For policies established in all provinces except Quebec*)

Joint Owners	Successor Owner	Annuitant	Successor Annuitant	Beneficiary	Individual who dies	What happens on death	Tax implications
Alex and Betty (Spouses)	None named	Alex	N/A	Any adult other than the annuitant.	Alex	Policy terminates and the proceeds are payable to the beneficiary.	Actual disposition. Tax slips are issued in the name of both owners. Alex's gain is taxable on his final tax return and Betty's gain is taxable on her tax return.[4]
	Betty's Successor Owner is Alex				Betty	Policy continues since the annuitant is still living. No death benefit payable at this time. Betty's half of the policy becomes the property of Betty's estate. Policy continues jointly owned by Alex and the estate of Betty.	Since policy is Joint Tenants in Common and no Successor Owner listed, tax slip is issued in the name of both owners. Deemed disposition of Betty's portion. No disposition of Alex's portion upon Betty's death Betty's gain may be taxable on her final tax return, unless she is eligible for a spousal rollover.
						Policy continues since the annuitant is still living. Betty's half of the policy passes to Alex as successor owner.	Deemed disposition but likely not taxable since the joint owner Alex is a spouse eligible for a tax-free rollover. **Note**: the joint owner is not a spouse there is no rollover availability for the transfer of ownership, and then taxes would apply on the deceased's terminal return due to the deemed disposition at death.

* Joint tenants in Common is not applicable for Quebec residents.

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Due to a different provincial law on ownership in Quebec, the concepts of "Joint with Right of Survivorship" or "Joint Tenants in Common" do not exist in Quebec. Policies can however be held jointly, and they are treated similarly to a "Joint Tenants in Common" policy in other provinces (see details above), unless a subrogated policy owner is named. For a jointly owned policy, a policy set up with Alex named subrogated policy owner for Betty and Betty named subrogated policy owner for Alex allows for a similar treatment to "Joint with Right of Survivorship" in other provinces.

Non-Registered Policy

Quebec – Joint ownership, Successor Annuitant*

Joint Owners	Successor Owner	Annuitant	Successor Annuitant	Beneficiary	Individual who dies	What happens on death	Tax implications
Alex and Betty (Spouses)	None named	Alex	Betty	Any adult other than the annuitant.	One of the annuitants.	Policy continues since one annuitant is still living. No death benefit payable at this time. The deceased spouse's half of the policy becomes the property of the deceased's estate. The surviving spouse and deceased's estate will dictate the terms and conditions of the account until the surviving spouse and the beneficiaries of the estate proceeds terminate the account. Policy continues jointly owned by the surviving spouse and the estate of the deceased.	Tax slips are issued in the name of both owners. Deemed disposition of the deceased spouse's portion. No tax on unrealized capital gain of surviving spouse's portion. The deceased's gain may be taxable on their final tax return, depending upon their estate's distribution. Spousal rollover provision could apply in this case because Alex and Betty are spouses. The transfer between spouses will be at cost and therefore avoid tax
	Alex's Subrogated Owner is Betty and Betty's Subrogated Owner is Alex.					Policy continues in force since one annuitant is still living. Surviving owner inherits the policy.	All future tax slips are issued in the name of the surviving owner, since the surviving owner inherits the policy. No deemed disposition for the account if policy continues in the name of the surviving owner. Spousal rollover provision could apply because Alex and Betty are spouses. The transfer between spouses will be at cost and therefore avoid tax.

REFERENCE NOTES FOR NON-REGISTERED PLANS

[1] Successor owner is also often referred to as Contingent Owner. In Quebec, a successor owner is referred to as Subrogated Owner.

[2] Beneficiary designation guidelines:
- Owners, successor owners and those who inherit ownership of the policy always have the right to name a new beneficiary (once they become owners), except where.
- The beneficiary has been named irrevocably, in which case written consent is required from the irrevocable beneficiary.
- If the annuitant dies and there is no surviving beneficiary, proceeds are payable to the owner.
- If the owner/annuitant dies, and there is no surviving primary or contingent beneficiary, death proceeds are payable to the annuitant's estate and probate may apply. In cases where the owner is not the annuitant, and there is no surviving beneficiary, the proceeds payable on the annuitant's death would be payable to the owner.

[3] Policy continuation can occur for single annuitant policies with the addition of a new successor annuitant at any time prior to the death of the annuitant. After the addition of the new successor annuitant, the death benefit proceeds will become payable only upon the death of the last surviving annuitant.

[4] Note that when joint owners are spouses or common-law partners, as defined for Income Tax Act purposes, rules contained in the Income Tax Act generally require the funds to be taxed in proportion to each party's actual financial contribution to the fund. It is up to the owners of the policy to track each party's financial contribution to the fund and to file the tax slips accordingly.

Minor named as beneficiary

All provinces except Quebec

Beneficiary – Minor without a Trustee – Upon the death of the annuitant, the Policy terminates and the proceeds may be paid into the applicable provincial courts for the beneficiary. A guardian may be appointed through court. If no guardian can be appointed, the Public Guardian and Trustee or provincial equivalent of that province may become the guardian of the minor child's property.

Beneficiary – Minor with a Trustee – Policy terminates and the proceeds are payable to the Trustee in trust for minor beneficiary. The trustee can be appointed on the application at time of plan establishment, through the applicable beneficiary change form or on a legal document. Provincial legislation governs trustee use of the proceeds. Consult a legal professional for details.

For Quebec

Beneficiary – Minor without a surviving parent as tutor – Policy terminates and the proceeds are paid to the Ministry of Finance. A dative tutor may be appointed either through the Will of the parents, court order, or written appointment by the parents to the Curateur public.

Beneficiary – Minor with a surviving parent as tutor – Policy terminates and the proceeds are payable to the tutor (parent) for the minor child.

Financially dependent disabled adult son or daughter named as beneficiary

Policy terminates and the proceeds are payable to the beneficiary. If the beneficiary is legally incapable, the proceeds would be payable to the guardian (in Quebec: tutor or curator). Proceeds may negatively impact provincial disability income support entitlements. Disability income support varies with provincial legislation. Consult a legal professional for details.

Note: If a policy is terminated due to the death of the last surviving annuitant, the beneficiary will receive the greater of the death benefit or the Market Value. If a policy remains in force, the policy guarantees remain intact.

Registered Retirement Savings Plan (RRSP) policy

Owner/Annuitant	Beneficiary	What happens on death of the owner/annuitant	Tax implications
Alex	Betty (Alex's spouse)	**Policy terminates and spouse has the following options:**	**The tax reporting depends on the option followed for the transfer of funds:**
		a. to transfer the monies and any existing benefits directly to a personal RRSP. This is processed as an ITA subsection 60(l) transfer.	a. Betty receives the T4RSP slip and can claim an offsetting deduction.
		b. to transfer the death benefit received to a personal RRSP.	b. Alex gets the T4RSP slip but an election can be filed to redistribute the income, in whole or in part, to Betty. Betty gets a tax receipt for any contribution to her personal RRSP which allows for a tax deduction.
		c. receive and retain a cash payment of the death benefit.	c. Alex gets the T4RSP slip and includes the amount in his terminal tax return.
	Alex's financially dependant child/grandchild ("qualifying survivor")	**Policy terminates and qualifying survivor has the following options:**	**The tax reporting depends on the option followed for the transfer of funds:**
		a. to transfer the monies and any existing benefits directly into an eligible registered/specified plan or eligible annuity. This is processed as an ITA subsection 60(l) transfer.	a. Qualifying survivor receives the T4RSP slip and can access a tax deduction/deferral on the eligible contribution/purchase.
		b. to transfer the Death Benefit received to an eligible registered/specified plan or eligible annuity.	b. Alex gets the T4RSP slip but an election can be filed to redistribute the income, in whole or in part, to a qualifying survivor. The qualifying survivor can access a tax deduction/deferral receipt on the eligible contribution/purchase.
		c. receive and retain a cash payment of the death benefit.	c. Alex gets the T4RSP slip and includes the amount in his terminal tax return.
	Any adult other than spouse (including common-law partner) or financially dependant child/grandchild.	Policy terminates and the proceeds are payable to the beneficiary.	The tax slips are issued to Alex's estate for the value at date of death, which is fully taxable on his final tax return. The beneficiary may receive a tax slip for any income earned between the date of death and the settlement date.
	Estate		The tax slips are issued to Alex's estate for the value at date of death, which is fully taxable on his final tax return. The estate may receive a tax slip for any income earned between the date of death and the settlement date. Annuitant's legal representative and a "qualifying survivor" beneficiary may be able to jointly elect to instead have all or part of the death proceeds treated as a "refund of premiums", depending upon the terms of the Will. There may be additional tax planning opportunities available depending on the terms of the Will (e.g. purchasing an annuity for minor child).

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Registered Retirement Income Fund (RRIF) policy

Owner/Annuitant	Beneficiary	What happens on death of the owner/annuitant	Tax implications
Alex	Betty (Alex's spouse)	**Betty may:**	
		a. elect spousal continuance if named as successor annuitant in the policy or Will	a. If Betty elects to assume the policy as successor annuitant, tax slips are issued to Alex for all payments that were made up to date of death and Betty would receive tax slips for all payments made after date of death.
		b. transfer the death benefit received as the beneficiary to a personal RRIF	b. If Betty elects to establish a new policy in her name, tax slips would be issued to Alex for all proceeds that were paid up to the date of death and Betty would receive tax slips for the value of the RRIF at date of death as a refund of premiums.
		c. receive and retain the death benefit of the policy in cash.	c. If Betty decides to take the death benefit proceeds in a lump sum, tax slips will be issued to Alex for all payments that were made up to the date of death and the value of the policy at the date of death.
	Alex's financially dependant child/grandchild ("qualifying survivor")	**Policy terminates and qualifying survivor has the following options:**	**The tax reporting depends on the option followed for the transfer of funds:**
		a. to transfer the monies and any existing benefits directly into an eligible registered/specified plan or eligible annuity. This is processed as an ITA subsection 60(l) transfer.	a. Qualifying survivor receives the T4RIF slip and can access a tax deduction/deferral on the eligible contribution/purchase.
		b. to transfer the death benefit received to an eligible registered/specified plan or eligible annuity.	b. Alex gets the T4RIF slip but an election can be filed to redistribute the income, in whole or in part, to a qualifying survivor. The qualifying survivor can access a tax deduction/deferral receipt on the eligible contribution/purchase.
		c. receive and retain a cash payment of the death benefit.	c. Alex gets the T4RIF slip and includes the amount in his terminal tax return.
	Any adult other than a Spouse (including common-law Partner) or financially dependent child/grandchild.	Policy terminates and the proceeds are paid to the beneficiary.	The tax slips are issued to Alex's estate for the value of the RRIF at date of death, which is fully taxable on his final tax return. The beneficiary may receive a tax slip for any income earned between the date of death and the settlement date.
	Estate		

Tax Free Savings Account (TFSA) policy

Owner/Annuitant	Beneficiary	What happens on death of the owner/annuitant	Tax implications
Alex	Betty (Alex's spouse)	**Betty may:**	
		a. elect spousal continuance of the benefits if provided for in the policy or Alex's Will and assume the policy as successor plan holder (where Betty is named as the sole beneficiary).	a. If Betty elects to assume the policy as successor plan holder, (where Betty is named as the sole beneficiary), no tax slips will be issued to either Alex or Betty.
		b. transfer the death benefit received as beneficiary to a personal TFSA.	b. If Betty elects to establish a new policy in her name, no tax slips will be issued to Alex. The proceeds transferred to Betty's policy would not be considered a contribution if the applicable CRA forms are completed and filed with the CRA within 30 days of the transfer.
		c. receive and retain the death benefit of the policy in cash.	c. If Betty decides to take the death benefit proceeds in a lump sum, tax slips will be issued to Betty for any income earned between the date of death and the settlement date.
	Any adult other than a spouse, common-law partner, or financially dependent children/grandchildren.	Policy terminates and the proceeds are paid to the beneficiary.	There will be no tax slips issued to Alex. The beneficiary may receive a tax slip for any income earned between the date of death and the settlement date.
	Estate		

REFERENCE NOTES FOR REGISTERED PLANS

Minor named as beneficiary for registered plans
The annuitant's legal representative may or may not be able to jointly elect to have all or part of the death proceeds treated as a "refund of premiums", depending upon the terms of the Will. There may be additional tax planning opportunities available (e.g. purchasing an annuity for a minor child).

All provinces except Quebec

Beneficiary – Minor without a Trustee – Upon the death of the annuitant, the Policy terminates, and the proceeds may be paid into the applicable provincial courts for the beneficiary. A guardian may be appointed through court. If no guardian can be appointed, the Public Guardian and Trustee or provincial equivalent of that province may become the guardian of the minor child's property.

Beneficiary – Minor with a Trustee – Policy terminates, and the proceeds are payable to the Trustee in trust for minor beneficiary. The trustee can be appointed on the application at time of plan establishment, through the applicable beneficiary change form or on a legal document. Provincial legislation governs trustee use of the proceeds. Consult a legal professional for details.

Quebec

Beneficiary – Minor without a surviving parent as tutor – Policy terminates, and the proceeds are paid to the Ministry of Finance. A dative tutor may be appointed either through the Will of the parents, court order, or written appointment by the parents to the Curateur public.

Beneficiary – Minor with a surviving parent as tutor – Policy terminates and the proceeds are payable to the tutor (parent) for the minor child.

Financially dependent disabled adult son/grandson or daughter/granddaughter named as beneficiary for registered plans
Policy terminates and the proceeds are payable to the beneficiary. If the beneficiary is legally incapable, the proceeds would be payable to the guardian (in Quebec: tutor or curator). Proceeds may negatively impact provincial disability income support entitlements. Disability income support varies with provincial legislation. Consult a legal professional for details.

May qualify for special tax treatment as a "refund of premiums".

Caution: Tax implications will vary by individual circumstances and provincial legislation.

Frequently Asked Questions

Can the owner be a different person than the annuitant?

Yes, however, this is only possible for non-registered policies. For registered policies, the annuitant and the policy owner must be the same person.

For non-registered policies, where the owner is different from the annuitant, upon the death of the annuitant, the policy is terminated and the benefits become payable to the beneficiaries. Also, upon the death of the owner, if no successor owner[1] has been named, ownership of the policy will pass to the owner's estate. A probated Will may be required to determine ownership of the policy.

If a successor owner has been named on the policy, the policy ownership will automatically pass to the successor owner, on the death of the owner. Taxes may arise depending on who the successor owner is.

For a Tax-Free Savings Account (TFSA), full ownership rights under the policy can be passed to the surviving spouse if the surviving spouse is named as the sole primary beneficiary. Normal successor ownership options are not applicable under a TFSA plan type.

How can I add a successor owner?

A successor owner may be added at any time with a written request signed by the policy owner.

Can the same person be named as both beneficiary and annuitant?

It is not advisable to name the same person as both beneficiary and annuitant, as the death benefit proceeds are paid upon the death of the annuitant and the beneficiary would no longer be living after death to receive the benefit. In such cases, the death benefit proceeds will be paid to the owner (or to the estate of the owner if the owner is also the annuitant).

Can you have more than one annuitant?

Yes, two annuitants can be named under one segregated fund policy (for nonregistered and RRIF policies). Upon the death of the annuitant (or of the last surviving annuitant for policies with a successor annuitant structure), the policy terminates, and the death benefit becomes payable.

Can I add a second annuitant to my policy?

Yes, a successor annuitant can be added to a policy at any time prior to the death of the annuitant. After the addition of the new successor annuitant, the death benefit proceeds will become payable only upon the death of the last surviving annuitant.

Can a person acting with a Power of Attorney (POA) over the policy owner's financial affairs appoint a beneficiary?

At present time, the ability of a person acting under a POA to designate a beneficiary is not permitted for BMO Guaranteed Investment Funds policies. A beneficiary designation is similar to a testamentary decision, which usually can only be made in a Will and a person acting under a POA is not capable of making a Will for another person.

Can the beneficiary of my segregated funds policy be different from the beneficiary of my Will?

Yes, the beneficiary named on the segregated funds policy can be different from the beneficiary in the client's Will. The death settlement of the policy flows outside of the estate.

Can I name a minor as beneficiary for my segregated funds policy?

In all provinces other than Quebec, if a minor or a legally incompetent person is named as the policy beneficiary, a trustee must be named on behalf of the beneficiary pursuant to BMO's application guidelines (e.g. Trustee in trust for minor beneficiary). If a minor beneficiary is named without a trustee, the estate settlement payment may be delayed as a guardian must be appointed through the courts.

In Quebec, the payment of the death benefit may be made to the minor beneficiary's surviving parent as tutor. If there is no surviving parent, a dative tutor appointment will be made either through the Will of the parents, court order, or based on a previous written appointment by the parents to the Curateur public.

Example for Quebec:
Policy Owner: Alex
Annuitant: Alex
Beneficiary: Daisy, Minor child without a trustee

On the death of the annuitant (Alex), the policy terminates, and the proceeds may be paid into the applicable provincial courts for the beneficiary.

A guardian can be appointed through the courts. If no guardian can be appointed, the Public Guardian and Trustee, or provincial equivalent may become the trustee of Daisy's (the minor child's) property

What is an irrevocable beneficiary?

If a beneficiary has been named as irrevocable, the owner of the policy may not make changes to the policy that impact that beneficiaries rights or values in the policy without the consent of the irrevocable beneficiary (like changing the beneficiary designation or making withdrawals).

It is not advisable to have a minor as an irrevocable beneficiary, as this appointment gives control of the policy over to the named beneficiary. The minor irrevocable beneficiary cannot consent to any change to the policy and thus, the policy is frozen until the minor reaches the age of majority, unless a Guardian of Property is appointed by the courts.

Can my spouse continue the benefits of my registered segregated funds policy upon my death?

For RRSP or RRIF policies, to ensure the continuation[3] of the benefits, your spouse or common-law partner must be named as the sole primary beneficiary.

What forms and applications need to be completed to issue a segregated fund policy?

For easy access to the forms and applications needed to issue a segregated fund policy, please refer to the [Quick Start Guide for Advisors (828E)] which can be found on our Advisor site located at [bmoinsurance.com/advisor/gif]

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