communities
make
us

Investment

Estate planning

Segregated fund contract structure guide

When it comes to estate planning, there are as many options as there are individual situations. Every case is different. However, one thing that all cases do have in common is the possibility to bypass the estate during the estate settlement process which not only saves time and money, but allows for confidentiality. To achieve this, it's important to properly establish a segregated fund contract.

The importance of estate planning

Proper estate planning ensures that assets are eventually distributed according to the investor's wishes. **A good estate plan can provide many advantages**:

- Ability to designate who will take over after the death of one of the parties to the contract, allowing the contract to remain in force
- Choice of primary beneficiaries and contingent or continuing beneficiaries, who will become contract beneficiaries in the event that the named beneficiaries are deceased when the death benefit becomes payable
- Choice of how the death benefit will be paid (lump sum amount, annuity, or a combination of both)
- The capacity to establish a strategy to protect savings in order to properly manage the financial future of the family

Investing in segregated funds has many advantages, and allows the investor to:

- Accelerate the death benefit settlement (because you bypass the estate)
- Maintain confidentiality of decisions by avoiding probate (probate documents are in the public domain)
- Realize potential savings in legal fees and probate fees
- Enjoy potential protection against creditors. Certain conditions must be met for this to apply; contractholders should consult a legal professional.

This document provides some examples of how to structure an SSQ Insurance segregated fund contract.

Who's who?

Investor: is the contract owner who invests in our segregated funds. The investor designates the parties below.

Contingent investor: is the person who becomes the contract owner upon the death of the investor (Subrogated investor in Quebec).

Annuitant: is the person upon whom the contract is based. The death benefit becomes payable upon his/her death. In the case of registered plans, this must be the same person as the investor.

Successor annuitant: is the person who becomes annuitant upon the death of the annuitant.

Beneficiary: is the person who is entitled to the amounts due in the event of the annuitant's death.

Contingent beneficiary: is the person entitled to receive the amounts due in the event of the death of the annuitant if all beneficiaries are deceased.

Continuing beneficiary: is the person entitled to receive the amounts due in the event of the death of the annuitant if the primary beneficiary to whom he is associated is deceased.

At a glance

In order for the proceeds of the contract to go to…	What should be done so that the contract can continue upon the investor's death?			
	NRSP	**RRSP**	**RRIF**	**TFSA**
The spouse	Name the spouse as successor annuitant and contingent investor (subrogated in Quebec)	Name the spouse as sole beneficiary	Name the spouse as successor annuitant	Name the spouse as contingent investor (owner)
The spouse, then the children	Name the spouse as successor annuitant and contingent investor (subrogated in Quebec) AND Name the children as beneficiaries	Name the spouse as beneficiary and the children as contingent beneficiaries	Name the spouse as successor annuitant and the children as beneficiaries	Name the spouse as contingent investor (owner) and the children as beneficiaries
The children	Name the children as beneficiaries	Name the children as beneficiaries	Name the children as beneficiaries	Name the children as beneficiaries

Non-registered savings plans (NRSPs)

Naming a successor annuitant allows the contract to continue after the death of the annuitant. However, one must be careful, as the successor does not automatically become the owner of the contract: this happens only if he is co-investor or has been designated as contingent investor (subrogated in Quebec). At any time before the death of the annuitant, the investor may add, change or remove a successor annuitant.

What's the main advantage of naming a contingent investor (subrogated in Quebec)? As long as the annuitant is still living, it allows to transfer the ownership of the contract without passing through the estate. This saves time and money!

RRIFs and TFSAs

For a RRIF, only the investor's spouse can be designated as successor annuitant. In the case of a TFSA, only the spouse can replace the investor (owner). The only requirement is that the spouse is still the investor's spouse at the time of his/her death.

At that moment, the spouse may exercise all the rights as the owner of the contract. But be careful! These rights may be restricted if an irrevocable beneficiary had been named previously.

RRSP

It is not possible to name a co-investor, a contingent investor (subrogated in Quebec), nor a successor annuitant for this plan type.

The following examples will demonstrate a few ways of structuring a segregated fund contract. They also demonstrate some of the effects of the different designations.

Examples

Bill and Barbara are spouses and have a daughter, Sadie, who is not financially dependent. Barbara is also a small business owner.

These examples are not valid when annuity payments have begun before the death of the annuitant.

Non-registered savings plan (NRSP)

Investor (s)	Annuitant	Contingent investor (subrogated in Quebec)	Successor annuitant	Beneficiary (ies)	Who died?	What happens next?
Bill and Barbara	Bill	none	none	Sadie	Bill	Since the annuitant is deceased, the contract terminates and the death benefit is paid to Sadie.
Bill	Bill	Barbara	Barbara	Sadie	Bill	Barbara becomes sole investor and annuitant of the contract. No death benefit is paid.
Bill	Bill	Barbara	Barbara	Sadie	Barbara	Since the annuitant is still living, the contract continues. No death benefit is paid. Bill can designate another contingent investor and successor annuitant.
Bill and Barbara	Bill	none	Barbara	Sadie	Bill	Barbara becomes sole investor and annuitant of the contract since both Bill and Barbara were deemed to be joint owners with rights of survivorship or subrogated investors (in Quebec). No death benefit is paid.
Bill and Barbara	Sadie	Sadie	none	Bill and Barbara	Bill and Barbara	Because the annuitant is still living, the contract continues. Since the investors are deceased, Sadie becomes the contractholder (investor). She will designate other beneficiaries.
Bill and Barbara	Sadie	Sadie	none	Bill and Barbara	Sadie	Since the annuitant is deceased, the contract terminates and the death benefit is paid to Bill and Barbara.
Bill	Barbara	none	none	Sadie	Bill	Since the annuitant is still living, the contract continues. No death benefit is paid. Bill's estate becomes the owner of the contract.
Barbara's Pizzeria Inc.	Barbara	N/A	none	Barbara's Pizzeria Inc.	Barbara	Since the annuitant is deceased, the contract terminates and the death benefit is paid to Barbara's Pizzeria Inc.
Barbara's Pizzeria Inc.	Barbara	N/A	Bill	Barbara's Pizzeria Inc.	Barbara	Bill becomes the annuitant. The contract continues and no death benefit is paid.

Notes: Except in Quebec: co-investors are deemed to be joint tenants with rights of survivorship, unless indicated otherwise.
In Quebec: co-investors are deemed to have respectively designated each other as subrogated investors.
When the investor is a corporation, and no designations were made, the beneficiary will be the corporation.

RRSP

Investor (s)	Annuitant	Contingent investor (subrogated in Quebec)	Successor annuitant	Beneficiary (ies)	Who died?	What happens next?
Bill	Bill	N/A	N/A	Barbara	Bill	The contract terminates. Being the spouse, Barbara can either: a) Transfer the RRSP to a new RRSP of her own b) Transfer the death benefit to her own RRSP or RRIF c) Receive the death benefit as a lump sum
Bill	Bill	N/A	N/A	Sadie	Bill	The contract terminates and the death benefit is paid to Sadie.

RRIF

Investor (s)	Annuitant	Contingent investor (subrogated in Quebec)	Successor annuitant	Beneficiary (ies)	Who died?	What happens next?
Bill	Bill	N/A	none	Barbara	Bill	Barbara can: a) Become successor annuitant if Bill's legal representative and SSQ Insurance provide their consent. The contract then continues b) End the contract and transfer the RRIF to her own RRSP, RRIF or PRPP c) End the contract and receive the death benefit
Bill	Bill	N/A	Barbara	Sadie	Bill	The contract continues. Barbara automatically becomes investor and annuitant of the contract. From that point, she will receive retirement income payments. No death benefit is paid.
Bill	Bill	N/A	none	Sadie	Bill	The contract terminates and the death benefit is paid to Sadie.

TFSA

Investor (s)	Annuitant	Contingent investor (subrogated in Quebec)	Successor annuitant	Beneficiary (ies)	Who died?	What happens next?
Bill	Bill	none	N/A	Barbara	Bill	Barbara can: a) End the contract and transfer the proceeds to her own TFSA, without affecting her unused contribution room b) End the contract and receive the death benefit
Bill	Bill	Barbara	N/A	Sadie	Bill	The contract continues. Barbara automatically becomes investor (owner) and annuitant. No death benefit is paid.
Bill	Bill	none	N/A	Sadie	Bill	Sadie can: a) Only if she has unused TFSA contribution room, end the contract and transfer the TFSA to her own TFSA b) End the contract and receive the death benefit

Designating beneficiaries

Making sure the death benefit is paid to the people chosen by the investor is an important part of estate planning.

Why name contingent or continuing beneficiaries? This can be useful when the primary beneficiary(ies) die(s) before the annuitant.

- To respect the investor's wishes
- To bypass the estate
- To save on legal fees
- To offer potential protection from creditors

In the following examples, Sadie and Paul are the primary beneficiaries, whereas Ana and Mason are the contingent beneficiaries.

What share is allocated to whom?	Who has already died when the death benefit becomes payable?	Who gets the death benefit? What share does he/she get?
Sadie = 50% Paul = 50% Ana = not specified Mason = not specified	Paul	Sadie = 100%
Sadie = 50% Paul = 50% Ana = not specified Mason = not specified	Sadie and Paul	Ana = 50% Mason = 50%
Sadie = 50% Paul = 50% Ana = 75% Mason = 25%	Sadie and Paul	Ana = 75% Mason = 25%
Sadie = 60% Paul = 40% Ana = not specified Mason = not specified	Paul	Sadie = 100% **In Quebec*** Sadie = 60% Investor = 40%
Sadie = 60% Paul = 40% Ana = not specified Mason = not specified	Sadie and Paul	Ana = 50% Mason = 50%

*If the investor does not want this rule to apply, he/she must indicate it clearly in writing.

In the following examples, Sadie and Paul are the primary beneficiaries, whereas Ana is the continuing beneficiary associated to Sadie, and Mason is the continuing beneficiary for Paul.

What share is allocated to whom?	Who has already died when the death benefit becomes payable?	Who gets the death benefit? What share does he/she get?
Sadie = 50% Paul = 50% Ana = 50% Mason = 50%	Paul	Sadie = 50% Mason = 50%
Sadie = 60% Paul = 40% Ana = 60% Mason = 40%	Sadie	Paul = 100% **In Quebec*** Paul = 40% Investor = 60%
Sadie = not specified Paul = not specified Ana = not specified Mason = not specified	Sadie and Paul	Ana = 50% Mason = 50%

* If the investor does not want this rule to apply, he/she must indicate it clearly in writing.

Refer to the Annuity Settlement Option (MRA1764) document to learn more about settlement options available.

Quebec Sales Office
Tel.: 1-888-292-8483

Ontario, Western and Atlantic Canada Sales Office
Tel.: 1-888-429-2543

Client Services
2515 Laurier Boulevard
P.O. Box 10510, Stn Sainte-Foy
Quebec QC G1V 0A3

Tel.: 1-800-320-4887
Fax: 1-866-559-6871

service.inv@ssq.ca

ssq.ca

BRA1787A (2019-03)