



Naming a Beneficiary: Things To Keep In Mind

A beneficiary is simply a person chosen by you who will receive a monetary payment upon your death. It may sound unpleasant, but designating a beneficiary is one of the most significant stages in enrolling in a group benefits plan, and there's a lot to think about.

It's not always necessary to name someone in a group health insurance plan, but your Life Insurance provider will demand it if your policy covers life insurance (as most do). In the case of a covered plan member's death, benefits are paid to those specified individuals.

Who can be a Beneficiary?

Spouses, common-law partners, children, and other dependents are all eligible for this type of gift. You may also designate another family member, such as a brother or sister, a friend, or even a charity! You can name more than one beneficiary, as long as the split equals 100%.

For example, a Life Insurance policy of \$100,000 could be broken down like so:

Spouse: 80% = \$80,000

Child 1: 10% = \$10,000

Child 2: 10% = \$10,000

If you name a minor or someone with special needs as a beneficiary, you must choose a trustee until they reach the age of majority (more on that below).

Can a Dependent be named a Beneficiary?

Yes! They are, in fact, one of the most common beneficiaries. Keep in mind that if you name a recipient who is under the age of majority, they will be unable to access the money until they reach adulthood. In this situation, you must choose a Trustee who will manage the funds until your dependent becomes an adult.

Why Do I Need to Designate a Beneficiary?

- Naming a beneficiary ensures that your death benefit will be paid as per your wishes.
- Without a named beneficiary, the funds will be paid to your estate. From there the estate will be distributed according to your will. In the absence of a will, courts are often asked to assist in

dispersing the funds. This situation becomes murkier and can be avoided by directly naming a beneficiary.

- To receive payment quickly. Dissolving an estate can be a slow process and can cause financial hardship on a family. Naming someone as your beneficiary ensures that the payment will go directly to them as soon as the claim is approved.
- Tax efficiency. Death benefits paid to a named beneficiary are often paid on a tax-free basis. Life claims paid to an estate are subject to probate tax.

6 Tips When Naming a Beneficiary

When you join a group insurance plan, one of the first things you'll do is name a beneficiary. Here are six things to think about before naming one.

#1. Choose Your Beneficiary Carefully

Consider who you would want the funds to go to when you're gone, since the beneficiary of your Life Insurance payout will be this individual. Consider those who rely on you financially — could your spouse handle the mortgage payment without your income? Or consider those with whom you'd want to take care of.

If you have any questions about selecting a beneficiary, contact us today!

#2. Designating a Trustee for Minor Children or Children with Special Needs

A child under the age of majority cannot exert control over any money payable from an insurance policy. As such, you must name a trustee to keep the proceeds in trust until your children are of legal age. Make sure the person you choose is trustworthy and can rely on them to carry out your wishes. If your minor beneficiary is your child, you may wish to consider who would have custody of your child, should something happen to you when determining the trustee.

#3. Know the Difference between Revocable and Irrevocable Beneficiaries

In Canada, there are two difference types of beneficiaries:

- Revocable — A revocable beneficiary is someone whose status you can alter at any time allowing you to change and update your beneficiary as you wish. They are not required to agree to any beneficiary changes, so you don't have to inform them.
- Irrevocable — An irrevocable beneficiary must sign off on any changes, including their removal. Spouses are irrevocable in the province of Quebec. We strongly advise you against making a minor (someone 18 years old or under) irrevocable. Children must wait until they reach the age of majority before signing off on any beneficiary change, and their trustees cannot sign for them.

#4. Keep Your Beneficiaries Up to Date

As life evolves you should periodically verify that your named beneficiaries continue to reflect your intentions. A few of the most frequent causes for changing beneficiaries include:

- After a marriage, adding a spouse
- Following a divorce or separation
- After their birth, you may add a new child
- If your beneficiary predeceases you

For example, if you get divorced and remarry, you may wish to update your beneficiary to remove your previous spouse and add in the new one (if that is your desire!), since benefits will be paid to your first spouse instead unless you make this change.

To change a beneficiary, visit your online portal or complete a change form and submit a copy to your plan administrator.

Be sure to always complete the form in full. Any beneficiaries you've previously designated will be overwritten by this change request.

#5. Keep Your Signed Form

It's a good idea to keep your completed form safe since it demonstrates the status of your beneficiaries, similar to your will and other important papers.

#6. Be Specific & Match your Intentions to your Will

When naming your beneficiary, it's critical to include all of the full name and relationship to you. If your beneficiary lives outside of Canada, adding contact information is also a good idea. It is also recommended to make sure your beneficiary matches the intentions in your will, if that document speaks to the life insurance policy.

Contact Us

If you have any questions about beneficiaries or if you want to learn more about Core Benefits, please feel free to contact us today!