

Why name a beneficiary?

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You can't take it with you — but there's a hassle-free way to leave your money behind: Name a beneficiary wherever you can.



What is a beneficiary?

Since you can't take your money with you at the end of your life, you might expect more Canadians would name a beneficiary — the person they want to leave their money behind to — for all their financial accounts that permit it. But it's surprising how many of us haven't done that, says Sun Life Financial advisor Brent McKay.

Naming a beneficiary takes just a few minutes to do, costs nothing and doesn't require help from a lawyer or accountant. It should be a no-brainer, right?

"Even if you're a bit of procrastinator, there's no excuse for putting off naming a beneficiary for every account you possibly can," McKay says.

Two good reasons to name a beneficiary

1. **It's private.** Unlike a will — which becomes a public document, available for anyone to see when it goes to probate — naming a beneficiary for your RRSP, for example, means that only the person named needs to know the specifics. "If it's a beneficiary appointment, only your beneficiary knows that," McKay says. The extra privacy can prevent jealousy and tension among those named (or not named) in a will and reduce bad feelings over "getting my fair share."

- 2. You'll make life easier for your spouse.** If you name your spouse/common-law partner as your account beneficiary (vs. using a default beneficiary designation such as "estate"), the money can pass directly from your RRSP to your spouse's RRSP or from your TFSA to your partner's TFSA. Even if your spouse's account has no contribution room, your money gets rolled into that account, without penalty, McKay says. Your financial institution can handle the paperwork, with no need for a lawyer and no delay or probate fees while your will is being sorted out. Probate fees vary by province, but can cost hundreds or thousands of dollars, depending on the size of your account.

It was 33 years ago that my wife and I made vows that included "till death do us part." But I've come to understand that my commitment to her might extend beyond my lifetime. I wouldn't want one of her final memories of me to be the discovery that I fumbled the hand-off of my assets to her or our kids. So, while you can't name a beneficiary on savings and chequing accounts, I've named my wife as beneficiary of my RRSP, life insurance and TFSA. And she has named me as beneficiary of her RRSP and TFSA.

Some accounts issued by life insurance companies, such as life insurance policies and segregated funds, also let you name a "contingent beneficiary." If your beneficiary dies before you do, the person you've named as contingent beneficiary gets the money.

The value of advice

If you're ready to rush off right now and name your own beneficiaries... not so fast! I did say that you don't need a lawyer or accountant to do it, but this is one of those times when professional advice can really pay off.

Do you want to leave money to someone who is currently a minor? In that case, rather than naming the minor as your account's beneficiary, you might want to create a "trust," which is a legal document that defines when and how the minor can receive the money and how the money must be managed until then. You'll need professional advice to sort out what will work best for you. Start by talking with your financial advisor, who may also suggest bringing in your lawyer to help put the right solution in place.

Suppose you want your RRSP to go to your son David by naming him as your beneficiary for that account – but you want to use your will to name your daughter Dora as the heir to your other investments? It can be done, but it's a good idea to get a lawyer's advice so you don't create confusion, bad feelings or even legal costs for your beneficiaries.

As I said, it's easy to name beneficiaries for your investment accounts, but you should get advice if your needs are a bit tricky. Though you still won't get to take your money with you, naming beneficiaries helps ensure your money will go straight where you want it to go.

Tips for naming a beneficiary:

- You can name a beneficiary for your:
 - RRSP

- Tax-free-savings account (TFSA)
- Locked-in retirement account (LIRA or LRSP)
- Annuity
- Insurance company-issued investment — e.g. segregated fund or annuity
- You can choose a different beneficiary for each account
- Ask your advisor about naming a contingent beneficiary