



Beneficiary Designation – FAQ

YOUR QUESTIONS ANSWERED

1. What is a primary beneficiary?

A primary beneficiary is any individual, institution, trust or charity the member names. The primary beneficiary is first to receive the life benefits payable under the plan. The member may name several primary beneficiaries and specifically how the life benefit will be divided amongst them.

2. What is a contingent beneficiary (or secondary beneficiary)?

The contingent beneficiary is any individual, institution, trust or charity the member designates to receive the life benefit under the plan if the primary beneficiary dies before the member. If there is more than one primary beneficiary, then the contingent beneficiaries will not receive any life benefit unless all primary beneficiaries pass away before the member. The member may name several contingent beneficiaries, and specify how the life benefit will be divided amongst them. To appoint a contingent beneficiary, the member should complete the **Contingent Beneficiary** section of the **Beneficiary Nomination** form.

3. Would a bank or financial institution be an acceptable beneficiary?

No. Members cannot name a bank or financial institution as their beneficiary. Members sometimes attempt to do this for the purposes of providing collateral for a loan but it's not an acceptable beneficiary.

4. What is meant by 'estate' and what should plan members know about designating the estates as the beneficiary?

An estate is the collection of all the member's savings, assets and debts after they die. Life benefits are payable to the member's estate if:

- If the member chooses to name their estate as the beneficiary
- Dies without naming a beneficiary
- If all primary and contingent beneficiaries pre-decease the insured member

If proceeds are paid to the estate, they will be distributed along with the remainder of the estate, according to the terms of the Will.

There are many legal and tax considerations that apply to the disposal of assets following death depending on: the type of plan, whether the member named a beneficiary, and the place where the member lives. If an estate is named, the member should be aware of the following:

- The insurance proceeds may be subject to estate taxes.
- The proceeds payable to the estate are subject to claims from the member's creditors, whereas proceeds from a life insurance policy payable to a named beneficiary are exempt from seizure.
- A Will may need to be probated and the cost of doing that varies from province to province. Probate costs are not incurred if proceeds are payable to a named beneficiary. In Quebec, probate is not required for a notarized Will, and costs are fixed for other types of Wills.

It's a good idea for members to consult their legal and tax counsel before requesting a complex beneficiary arrangement or if they need personal advice.

5. Can a plan member designate a beneficiary for their life insurance policy within their Will?

Yes. To eliminate any ambiguity, the member should include their employer's name and the group certificate number for the life insurance policy within the Will. If the member's Will contains a valid beneficiary designation for their life policy, a copy of the Will should be provided to their plan administrator.

Again, it's a good idea for members to consult their legal and tax counsel before requesting a complex beneficiary arrangement or attempting to make a designation within their Will.

6. How do the estate, primary beneficiaries and contingent beneficiaries all work together?

If the member allocates 100% of their benefits to one beneficiary, that beneficiary will receive 100% of the life benefits. The member may also name many primary beneficiaries and give each of them a percentage of the benefits to a total of 100%. If percentages are not indicated, an even split will be made between beneficiaries.

If the member names more than one primary beneficiary and one of the beneficiaries predeceases the member, then their percentage of the benefit will be split between the remaining beneficiaries according to the percentage assigned to them.

If all of the primary beneficiaries have predeceased the member, the benefit will go to the contingent beneficiaries. If the member has not named any contingent beneficiaries, or if all the contingent

beneficiaries have also predeceased the member, then the benefit will go to the member's estate.

If the member does not name any beneficiaries, the benefit will go to the estate assuming the Will does not contain a valid beneficiary designation for their group life insurance policy.

7. What should plan members know about naming a spouse as the beneficiary?

If the member wants to ensure that their spouse receives all benefits, they must name their spouse as the primary beneficiary.

8. Outside Quebec, do plan members need to check off the revocable box on the Beneficiary Nomination form to ensure the beneficiary is revocable?

No. Outside Quebec beneficiary designations are assumed to be revocable. There is no need to indicate such by selecting a 'revocable' check-off box.

9. What should plan members know about naming a beneficiary who is a minor?

The definition of a minor changes from province to province. A minor is:

- under 18 years of age in Alberta, Manitoba, Ontario, Prince Edward Island, Quebec and Saskatchewan
- under 19 years of age in British Columbia, New Brunswick, Newfoundland, Nova Scotia, Nunavut, Northwest Territories and Yukon.

A minor cannot receive a life benefit under the plan until they reach the age of majority except in British Columbia, where the Insurance Act states that they can receive the proceeds of an insurance policy at age 18.

If the minor beneficiary resides outside Quebec then the member should name a trustee. If the member doesn't name a trustee, legislation may require the life benefit to be paid to the court, or to a guardian or public trustee. The member may wish to consider naming their spouse as the trustee.

If the minor beneficiary resides in Quebec, the life benefit will be paid to the parent(s)/legal tutor of the minor on their behalf. Members will not be able to name a trustee for minor beneficiaries on the Beneficiary Nomination form. Alternatively, members may wish to name the estate as beneficiary and provide a trustee with directions in their Will.

It's a good idea for members to consult their legal and tax counsel before requesting a complex beneficiary arrangement.

10. Can plan members name more than one trustee? Can payment be made to multiple trustees?

Yes. The member can name more than one trustee for different minor beneficiaries. Payment to the named trustee(s) shall discharge Sun Life Financial. It's a good idea for the member to consult their legal and tax counsel before making complex trust arrangements.

11. Will a plan member know to add a trustee if the child is a minor?

In all provinces except Quebec, if the member wants to designate a minor child, the member should designate a trustee. Sun Life's Beneficiary Nomination form asks for trustee information if the beneficiary is a minor.

12. How do we know if a child is of age?

When we receive a claim, we will validate the age of the beneficiary before we release the insurance proceeds as we cannot release funds to a minor.

13. When can a plan member appoint a trustee for an adult?

By law, a member can only appoint a trustee for an adult if the adult is incompetent. A member should seek separate guidance on setting up a trust in these situations. If the beneficiary is not deemed competent, then Sun Life will deposit into court or release funds to a court appointed guardian/trustee.

14. How do plan members change a beneficiary designation?

If the beneficiary designation is revocable - the member must complete, date and sign a new **Beneficiary Nomination** form.

15. What should plan members know when going through a life change like marriage or divorce?

In all provinces except Quebec, the beneficiary does not change automatically if a member divorces. For a life change, the member should review and update all their beneficiary information. If a spousal status changes, the member must complete a new **Beneficiary Nomination** form.

16. Can a plan member nominate a beneficiary that does not reside in Canada?

Yes. A member can name a beneficiary that lives outside Canada. Members should be aware that for non-resident beneficiaries, interest paid on a life benefit is subject to non-resident tax.

17. Are the rights of the plan member under a group benefits plan determined by the plan member's province of residence at the time they initially became covered under the group plan? For example, do the laws of Ontario apply to the plan member who completes the Beneficiary Nomination form while residing in Ontario but later moves to Quebec?

Yes. The member's province of residence at the time the member became covered under the group plan applies. If the member is living in Ontario when a beneficiary is named but later moves to Quebec, Ontario laws regarding beneficiary designations apply.

18. Can a plan member designate separate beneficiaries for different life products?

Yes. A member can, for example, designate separate beneficiaries for Basic Employee Life, Optional Life and Spouse Optional Life. A member needs to complete each of the applicable sections of the Beneficiary Nomination form. This is true even if the member wishes to designate the same beneficiary for Basic and Optional benefits.

19. Do we require an original copy of the Beneficiary Nomination form to process updates to beneficiary designation?

Yes, we still require MRU to provide original beneficiary forms at the time of claim. Please submit your original signed form to Human Resources, Room E231.

20. Can a Power of Attorney (POA) designate or change a beneficiary?

In most common-law provinces, a POA cannot make or amend a Will. Similar to a Will, a beneficiary designation is considered a testamentary disposition and for that reason, a POA cannot designate or change a beneficiary.