



Insurance investments



THE FACTS

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Introduction

This guide provides a comprehensive overview of the regulations and procedures that you are required to follow when setting up contracts issued by Manulife Financial (Manulife). Our hope is that by providing you with a complete reference tool that is easy to use, you'll spend a lot less of your time administering your business and more time working to fulfill the financial and wealth protection needs of your clients.

Insurance Investments: The Facts focuses on Manulife's "investment solution" products such as segregated fund contracts, annuities and guaranteed interest contracts (GICs), although much of the information applies to other life insurance contracts issued by Manulife. The guide does not deal specifically with nominee name contracts, but in many situations the principles outlined here apply. We believe that this guide will be especially useful if you are new to the business, or are doing business with Manulife for the first time. With relevant information at your fingertips, you'll increase your effectiveness when it comes to properly advising your clients.

Because this guide provides detailed legal and regulatory information about setting up insurance contracts, we've taken the extra effort to ensure that the facts you need are easy to find. Through extensive use of tabs, call-out

boxes, charts and clear subject headings, you should be able to navigate through this document quickly to find relevant information.

If you cannot find the information you require within this guide, please do not hesitate to call your Manulife Investments Sales Team. The employees of Manulife are committed to providing advisors across Canada with the tools and information you need to help your business grow.

For more information on the topics outlined within this guide, please visit the Tax and Retirement Services page on Repsource at www.manulife.ca/trs.

Please note: This guide does not supersede any administration policy of Manulife and Manulife will not be bound by the opinions or positions expressed which are subject to change without notice.

IMPORTANT NOTICE

This document is published for use by advisors to sell insurance products offered by The Manufacturers Life Insurance Company ("Manulife") and is not intended for general distribution to the public or third parties. The information provided herein is intended to be used by advisors in conjunction with other Manulife materials to provide services to Manulife clients. This information is not intended to provide legal, accounting or tax advice and should not be relied upon as such.

How to Use This Guide

Due to the technical nature of the information provided, we've taken a few extra steps to ensure that the subject that you're looking for is easy to find. You'll notice a number of design conventions used within the guide. For a quick overview of what these conventions mean, please take a moment to review this page.

BOLD TEXT:

You'll notice an extensive use of bold text. It signifies that the information highlighted represents an important point about the subject in question.

TIP The **Tip box** represents quick pointers that can be of value to your clients and help ensure that your clients' objectives are met.

FACT The **Fact box** signifies that this section provides background information about the subject in question. Fact boxes are important since they will provide you with further insight into the rules that govern our industry.

CHARTS: FOR EASE OF REFERENCE

The charts located at the end of this guide illustrate the most common methods of setting up registered and non-registered contracts. Use these charts to help you ensure that clients' needs and expectations are met, particularly in the event of the owner's or annuitant's death.

GLOSSARY OF KEY TERMS

To help you through the more technical terms found within this guide, we have included a glossary of key terms that you can find on page 68 for your convenience.



The mouse icon informs you that additional resources relating to the subject in question are available from Manulife's website at www.manulife.ca/repsource.



The book icon lets you know that additional background information can be found within this guide. A page reference number is provided for your convenience.



The fleur-de-lis icon signifies different rules and regulations that apply in the province of Quebec.



The dollar sign icon draws attention to the tax consequences investors should be aware of when setting up contracts.

Privacy

The federal government and some of the provincial governments have enacted privacy legislation. In compliance with these laws, Manulife has developed detailed procedures to obtain, use, safeguard and dispose of personal client information. Advisors are also subject to, and are responsible for, complying with privacy laws.

Once an application is signed, the client authorizes Manulife to collect, verify, use and store personal information for the purpose of issuing and administering his or her contract.

The client also consents to Manulife sharing his or her information with persons, financial institutions and businesses as may be required in the administration of their contract.

The client also provides authorization for the use of his or her Social Insurance Number and Business Number, if applicable, as a unique identifier, and in the administration of the contract, including tax administration.

A client's refusal to provide consent at the time of application will result in Manulife being unable to issue the contract.

A client has a right to access his or her personal information, or to withdraw consent at any time unless the information is legislatively required. However, a withdrawal of consent may make it impossible to administer the contract and Manulife may be forced to terminate the contract.

Personal information is kept in an investment file for the time period required by legislation and guidelines

or the time period required to administer client contracts, and will be used for purposes including:

- Confirmation of identity and accuracy of information provided
- Evaluating applications, and issuing and administering contracts
- Complying with legal and regulatory requirements
- Conducting searches to locate clients and update information
- Offering additional products and services

ACCESS TO PERSONAL INFORMATION IS LIMITED TO:

- Employees and representatives of Manulife who require the information to perform their jobs
- Service providers who contract with Manulife to provide services such as data processing, programming, market research, printing, mailing and distribution services
- Advisors and any agency which has entered into an agreement with Manulife and has supervisory authority over advisors
- People who are legally authorized to view a client's personal information

Parties to an Insurance Contract

THE INSURANCE COMPANY AND THE OWNER(S) OF THE CONTRACT ARE PARTIES TO THE INSURANCE CONTRACT

Other people may have important roles in determining how the contract will work including the:

- Successor owner (if any)
- Measuring life (annuitant and successor annuitant or Joint Life, if any)
- Beneficiary(ies)

A) ANNUITANT

FACT In provinces other than Quebec, the measuring life for annuities, GICs and segregated fund contracts is known as the “annuitant”; in life insurance policies, it is the “life insured”. In this guide, the term will have this meaning.

- In Quebec, the annuitant refers to the person who will receive the payments under the annuity provisions of the contract.

Unless a successor annuitant is named and living, the contract terminates upon the death of the annuitant. The annuitant can be the owner or whomever the owner designates.

Some segregated fund contracts may offer a **Joint Life Payout Option**. If this option is selected then the contract will not terminate until the later of the death of the annuitant and the Joint Life.

Refer to “Joint Life Payout Option Contracts” on page 11 for more details on this option.

B) SINGLE OWNER CONTRACTS

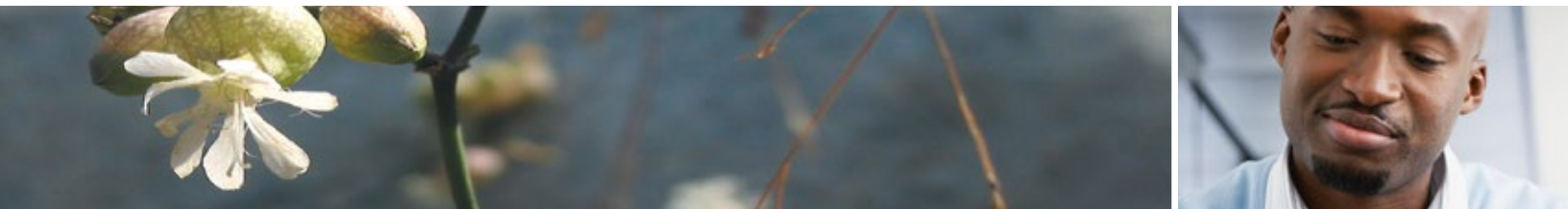
A single-owner contract is the simplest and in many cases the most desirable. **Protection of the contract from the owner’s creditors may be available where a single owner is named, and the appropriate beneficiary designation is made.**

- 📋 In order for an insurance contract to be eligible for creditor protection under provincial insurance law, which is discussed on page 29 of this guide, a beneficiary of the family class or an irrevocable beneficiary must be named.

Often in a single-owner contract, the owner is also the annuitant.

Upon the death of the owner/annuitant, and assuming no successor annuitant or Joint Life is named and living, the contract terminates and the proceeds are paid to the beneficiary.

Usually, income earned, or gains realized on the disposition of a non-registered contract, are taxed to the owner.



i) Owner as annuitant

If an owner is also named as the annuitant, no ownership rights will pass to any successor owner(s) at the death of that person. The contract terminates with the death of the annuitant and the proceeds are paid to the beneficiaries unless a successor annuitant or Joint Life is named and living.

FACT It is important to note that with registered (e.g. RRSP, RRIF and TFSA) contracts the *Income Tax Act* (Canada) requires the owner and annuitant to be the same person.


ii) Successor owner

Where the owner is not the annuitant or where the owner is an annuitant but a successor annuitant or Joint Life has been named, the client should consider whether a successor owner for the contract should be named (applicable on non-registered contracts only).

If an annuitant is still alive on the death of the owner and no successor owner has been named, ownership of the contract will pass to the owner's estate. In this case, a probated will may be required to verify that the executor has the authority to deal with the contract.

Naming a successor owner will result in ownership transferring directly to the new owner rather than to the owner's estate.

By naming a successor owner, the contract continues in the hands of the new owner and the asset passes outside of the estate which may save probate fees.

 In Quebec, a successor owner is known as a subrogated policyholder.

iii) Spousal rollover

Spousal election to rollover (for GICs and certain non-registered segregated fund contracts originally purchased prior to October 5, 2009 only)

When one person is named as owner and annuitant under a contract and his or her spouse is named as sole beneficiary, the surviving spouse (beneficiary) may be allowed to continue the contract as owner and annuitant upon the death of the first spouse. In this case, the surviving spouse would become the owner of the contract and be able to exercise all rights under the contract subject to any contractual conditions. **This election must be made by the surviving spouse at the time of notification of death to Manulife.**

TIP If, on the death of the first spouse, the market value on a segregated fund contract is greater than or equal to the death benefit guarantee, the surviving spouse could elect the rollover to take advantage of the spousal rollover rules in the *Income Tax Act* (Canada). These rules permit a transfer to a surviving spouse at an amount equal to the adjusted cost base and therefore defer tax. If the market value is less than the death benefit guarantee, the spouse could elect not to rollover but to receive the death benefit as beneficiary under the contract and take advantage of the guarantee "top-up".

Registered Retirement Income Fund (RRIF) and Tax-Free Savings Account (TFSA) contracts

Some RRIF and TFSA contracts provide that if the spouse is alive at the time of the death of the owner/annuitant, and the spouse is named as the sole beneficiary, the contract will continue and he or she will automatically become owner of the contract and assume all ownership rights, subject to

any contractual conditions, including the ability to change the payments and name a beneficiary. Any secondary or subsequent beneficiary appointments made prior to the owner/annuitant's death would be void.

RRIF contracts may also provide that on the date of notification of death (of the owner/annuitant), if the death benefit guarantee is higher than the market value, the value of the contract will be increased by depositing the difference to a money market fund.

iv) Successor annuitant

In certain instances, the contract may allow the owner to name a successor annuitant. Upon the death of the primary annuitant, the contract would continue to be in force provided a successor annuitant is named and living. In this situation, the successor annuitant would become the primary annuitant.

FACT The appointment of a successor annuitant must be made prior to the death of the primary annuitant. A previously appointed successor annuitant can be changed or removed by the owner at any time prior to the primary annuitant's death.

Non-registered contracts with a successor annuitant named and living

For non-registered contracts where the owner is the annuitant and a successor annuitant has been named, on the death of the owner/annuitant the owner's estate would assume ownership, unless a successor owner has also been named.

FACT The transfer of ownership to the owner's estate or to a successor owner other than a spouse will be a taxable disposition to the owner.

Where the spouse is the successor owner and successor annuitant, the contract passes tax-free to the spouse as the *Income Tax Act* (Canada) provides for a transfer to a spouse at cost. If the successor owner and annuitant were someone other than the spouse, the estate of the deceased owner would be responsible for the payment of taxes on any accrued income up to the date of death, as well as any taxes related to the disposition of the contract.


The advantage of naming a successor annuitant is that it allows the continuation of the contract, subject to any contractual restrictions, on the date of death of the primary annuitant. That is, the contract would have the same value, investments, interest rate, etc. For some products with a Guaranteed Minimum Withdrawal Benefit (GMWBs) certain provisions are dependent on the age of the annuitant and if the annuitant changes certain contractual conditions could apply. This is also attractive for non-personal owners, such as corporations and charities, who may not want the contract to terminate.



If the owner and annuitant are different and the annuitant dies, the owner would continue to own the contract intact.

A death benefit is not payable to the named beneficiary(ies), nor will the death benefit guarantee apply, until the death of the last surviving annuitant.

TIP Where the “spousal election to rollover” feature is available and a person is named as owner and annuitant, it is generally preferable to name the spouse as beneficiary rather than as successor owner and successor annuitant. This will help preserve the spouse’s ability to choose between electing to continue the contract as owner and annuitant under the spousal rollover rules and receiving the death benefit payout.

 Refer to “Spousal election to rollover” on page 8 for more details.


Registered contracts

FACT A successor annuitant may not be appointed for Registered Retirement Savings Plan (RRSP) contracts.

If the RRIF contract permits a client’s spouse to be named as successor annuitant, he or she also becomes the successor owner and assumes ownership rights, including the right to change the payments, terminate the contract or change the beneficiary designation.

If the primary owner/annuitant (i.e., the client) had designated an irrevocable beneficiary, other than the spouse, the rights of the spouse as the successor annuitant will be limited. The successor annuitant will not be able to change the beneficiary designation, increase scheduled payments or terminate the contract without the written consent of the beneficiary.

FACT An irrevocable beneficiary designation is not available with locked-in funds with a successor annuitant designation.

 Refer to “Irrevocable designations” on page 22 for more details.

TIP This option allows the owner to make provisions for the successor annuitant (the spouse), while leaving a death benefit to a different named beneficiary (e.g., the children).

A segregated fund RRIF contract may also provide that on the date of notification of death (of the primary owner/annuitant), if the death benefit guarantee is



higher than the market value, the value of the contract will be increased by depositing the difference to a money market fund.

If the owner wishes to name a successor annuitant he or she may have to complete a separate form from the application. If the successor annuitant predeceases the owner or fails to meet the definition of spouse under the *Income Tax Act* (Canada) at the time of the owner's death, the death benefit will be paid to the named beneficiary.

As with any RRIF, on the death of the surviving spouse a tax liability will be created in his or her estate, even though the death benefit is paid to the beneficiary. Depending on the amount of payments received by the surviving spouse before death, the tax liability of his or her estate may be disproportionate to the benefit they received and no funds flow to their estate. It is very important that the client understands this prior to entering into such an arrangement. If it is not the intention to have the estate of the surviving spouse be responsible for these taxes, alternatives for addressing the tax liability should be discussed at the time the surviving spouse is named as successor annuitant on the RRIF.

v) Joint Life Payout Option Contracts

A Joint Life Payout Option provides a guaranteed income stream based on the lives of both the annuitant and the Joint Life, who must be the spouse of the annuitant. The advantage of a Joint Life Payout Option is that it allows the continuation of the contractual benefits as they existed on the death of the annuitant or Joint Life. In many ways the Joint Life Payout Option is similar to the successor annuitant designation. However, there are a few important distinctions that need to be understood.

FACT A key difference between these contracts and those that do not offer a Joint Life Payout Option is that a successor annuitant is not named. If the contract previously had a successor annuitant designated before choosing a Joint Life Payout Option, the successor annuitant will be removed.

Non-registered and RRIF Contracts

Upon the death of the annuitant or Joint Life, whichever is earlier, the contract will continue, until the death of the survivor of the annuitant and Joint Life. **Another Joint Life cannot be named and the death benefit is not payable to the named beneficiary(ies), nor will the death benefit guarantee apply, until the death of the survivor of the annuitant and Joint Life.**

TIP In some situations it may be advantageous to have the flexibility of maintaining a death benefit guarantee on each of the spouses, rather than only upon the death of the surviving spouse. This can be accomplished by having two separate contracts, each having one of the spouses named as annuitant and not selecting the Joint Life Payout Option.

Non-registered contracts

FACT If the owner is either the annuitant or the Joint Life, the surviving spouse will become the owner of the contract, unless otherwise designated.

If the owner is not the annuitant or Joint Life and either the annuitant or Joint Life dies, the owner would continue to own the contract. If the owner dies, the owner's estate would assume ownership, unless a successor owner has also been named.


Where the spouse becomes the owner, the contract will pass tax-free to the surviving spouse. If the successor owner was someone other than the spouse, the estate of the deceased owner would be responsible for the payment of taxes on any accrued income up to the date of death, as well as any taxes related to the disposition of the contract.

RRIF Contracts

With RRIF contracts, the *Income Tax Act* (Canada) requires the owner and the annuitant to be the same person.

If the primary owner/annuitant (i.e., the client) had designated an irrevocable beneficiary, other than the spouse, the owner's rights and the rights of the spouse as the Joint Life will be limited. Neither the owner nor the Joint Life will be able to change the beneficiary designation, increase scheduled payments or terminate the contract without the written consent of the beneficiary.

FACT An irrevocable beneficiary designation is not available with locked-in funds with a Joint Life designation.

 Refer to "Irrevocable designations" on page 22 for more details.

TIP This option allows the owner to make provisions for the Joint Life (the spouse), while leaving a death benefit to a different named beneficiary (for example, the children).

As with any RRIF, on the death of the surviving spouse a tax liability will be created in his or her estate, even though the death benefit is paid to the beneficiary. Depending on the amount of payments received by the surviving spouse before death, the tax liability of his or her estate may be disproportionate to the benefit they received and no funds flow to their estate. It is very important that the client understands this prior to entering into such an arrangement. If it is not the intention to have the estate of the surviving spouse be responsible for these taxes, alternatives for addressing the tax liability should be discussed at the time the Joint Life Payout Option is selected on the RRIF.

RRSP (or LIRA/RLSP) Contracts

Under the Joint Life Payout Option, the owner must name the spouse as the Joint Life, and sole beneficiary.

FACT If the contract is still an RRSP upon death of the annuitant, the Joint Life will have the option to receive the death benefit for the contract, or continue the guaranteed income and contractual benefits in a new RRSP (or RRIF) contract in his or her name.




TIP If the market value is less than the death benefit guarantee, the surviving spouse could elect to receive the death benefit as beneficiary under the contract and take advantage of the guarantee “top-up”.

C) MULTIPLE-OWNER CONTRACTS (ONLY APPLICABLE TO NON-REGISTERED CONTRACTS)

Many of the same principles that apply to single-owner contracts apply to multiple-owner contracts. However, the existence of multiple owners introduces some important differences which often increase the complexity of exercising rights under the contract. It is important to understand these differences and the implication for clients.

Generally, outside Quebec, there are two types of multiple ownership:

- Joint owners with right of survivorship (“joint owners”), and
- Owners as tenants in common (“tenants in common”)

 Joint owners under Quebec law are referred to as undivided co-owners and while they own the contract, they share its rights, benefits and disadvantages as described below. In the common law provinces, it is the equivalent of “tenants in common”. You can read the comments in sub-section (ii) as they apply to Quebec as well. Joint tenants with right of survivorship means that the rights of the deceased joint owner will be transferred to the survivor. It has no equivalent in Quebec, however the contract could be set up in a way to achieve the same result. See page 60 of this guide.

Disadvantages of multiple ownership

Where a contract has multiple owners, whether joint owners or tenants in common, all of the owners must agree with every change or

transaction. The consent of all the owners is required to withdraw funds, switch funds or change a beneficiary designation. If one of the owners becomes incapacitated, it may be impossible to obtain such agreement or consent.

i) Joint owners with right of survivorship

FACT Each joint owner holds title to the whole of the contract. On the death of one joint owner, provided the deceased owner is not the last surviving annuitant or the survivor of the annuitant and Joint Life, the surviving joint owner(s) becomes the sole owner(s) of the contract. The estate of the deceased joint owner has no ownership rights in the contract.

For ease of understanding (although it is not technically or legally accurate), one might say that the deceased owner’s share in the contract passes automatically to the surviving joint owner or owners, if more than one.

It is important to be aware of the method of taxation of jointly owned contracts. For contracts that are jointly owned by spouses or by individuals with their minor children or grandchildren, the *Income Tax Act* (Canada) prescribes what proportion, if any, is taxable to each party, depending on the contributions of each to the contract. Where one owner contributes all funds to the contract, all income will be attributed back to him or her, rather than shared between the joint owners.

Joint ownership arrangements can be complicated, particularly in non-spousal situations. Even though an asset is owned jointly by two individuals, the intention may be that there is only one true beneficial owner and the other owner has been named for convenience purposes, to help manage the asset. In this instance, there is no actual intent to convey beneficial ownership to the other owner. Under the law, this is not considered

a true joint ownership situation but rather an agency arrangement with no right of survivorship. As a result, on the true owner's death the asset may flow through his or her estate and be subject to probate.

It is important for individuals to carefully document their intentions as jointly owned property has been the subject of a number of lawsuits where parties have disagreed on what the objective truly was and a determination as to the actual intention of the deceased party had to be made by the courts.

ii) Owners as tenants in common

Each owner as tenant in common has a quantifiable share of the contract. On the death of an owner as tenant in common, who is not the last surviving annuitant or the survivor of the annuitant and Joint Life, his or her ownership share passes to his or her estate (or to a successor owner who has been named for that share).

TIP Given the increased complexity and potential for problems, clients should carefully consider whether multiple ownership is right for their needs.

D) HUSBAND/WIFE JOINT OWNERSHIP – PROCEED WITH CAUTION

A common error in setting up an insurance investment contract (i.e., a segregated fund contract, GIC, etc.) is to name the husband and wife as joint owners, with one spouse as annuitant and the children as beneficiaries. This is often done with the belief that if either spouse dies, the other will assume ownership of the contract.

However, if the annuitant spouse dies first, the contract terminates and the proceeds are paid to the children as beneficiaries. The surviving spouse receives nothing. This is often not the intended result. This is further complicated if the children are minors because they cannot disclaim ownership of the funds.

TIP Due to the requirement for an annuitant in an insurance investment contract, this arrangement does not achieve the intended result and generally joint ownership of an insurance contract is not recommended.

As noted previously, joint ownership also makes transactions more complex as both owners must be in agreement with, and sign for (where applicable), every change, withdrawal, fund switch or other transaction.

Where the intent is to pass ownership of the contract to a surviving spouse, a more preferable set-up may be to




have one spouse as owner and beneficiary, and the other spouse as annuitant and successor owner. Alternatively, if the clients truly want joint ownership, the contract could be set up with the spouses as joint owners, one of the spouses as annuitant and the other spouse as beneficiary. The children could be named as secondary beneficiaries in the event the parents die at the same time. **In both scenarios the choice of the annuitant is very important as the death benefit guarantee will only be triggered upon his or her death.**

Another reason for carefully considering who should be the owner and who should be the annuitant is that insurance legislation excludes the owner and the owner's estate from the definition of "beneficiary".


This means that if an owner is also the beneficiary he or she may not qualify as a beneficiary of the family class and may therefore potentially jeopardize creditor protection.

Properly determining who should fill which roles under the contract will increase the likelihood that the contract will enjoy protection from creditors.

 Refer to "Creditor Protection of Investments" and the subsection entitled "Husband and wife as joint owners" on page 31 for more information.


One alternative to joint ownership arrangements on insurance investment contracts is to name a spouse as successor owner and successor annuitant or Joint Life where permitted, with the children as named beneficiaries. This resolves the issue of having an owner or an owner's estate named as beneficiary and potentially jeopardizing creditor protection. However, when the primary annuitant dies, the contract continues and consequently the death benefit will not be payable to the named beneficiaries until the death of the

successor annuitant or the Joint Life, nor will the death benefit guarantee apply until then either. Also, unless the beneficiaries are named irrevocably, the surviving spouse can name new beneficiaries. **This is distinguished from the RRIF successor annuitant option where the death benefit guarantee may, if permitted by the contract, apply on the death of the original annuitant as well as on the death of the successor annuitant, and the contract value will be topped up in both instances, if necessary.**


 Refer to "Successor annuitant" on page 9 or "Joint Life Payout Option Contracts" on page 11 for more details on these options.


TIP Another alternative to joint ownership is to take advantage of the spousal election to rollover option, if available, by having two separate contracts with each spouse recorded as owner and annuitant of his or her portion of the assets and the other spouse named as beneficiary. The children could be named as secondary beneficiaries on both contracts.

With the spousal election to rollover option on certain non-registered contracts, if on the death of the first spouse, the market value of the segregated fund contract is greater than the death benefit guarantee, the surviving spouse could elect to continue the contract as owner and annuitant to take advantage of the spousal rollover rules. These rules permit a transfer to a spouse at cost and therefore avoid tax, otherwise the death benefit could be received to take advantage of the guarantee "top-up".

 Refer to "Spousal election to rollover" on page 8 for more information.

TIP To achieve creditor protection and the passing of assets to a spouse, the simplest arrangement is often still the best: one spouse as owner and annuitant, and the other spouse as beneficiary.

 In Quebec, if the beneficiary is the married or civil union spouse the designation is irrevocable unless “revocable” is specified.

 Refer to “Types of beneficiary designations” on page 21 for more information.

E) OTHER OWNERS


i) Corporate owner

With corporate ownership, a key executive, employee or the owner of the company is usually the annuitant. It may also be possible, under Manulife’s administrative rules, for another annuitant to be named if the first-named annuitant leaves the company. The corporation is usually the beneficiary so that funds flow back into the corporation. **If a beneficiary other than the corporation is named, the client should consult a legal and tax advisor regarding potential legal and income tax implications of that designation.**

Corporate ownership of insurance contracts can be complicated because of the unique tax rules governing corporations.

TIP Corporate owners should retain independent legal and tax advice to determine the best way to invest in a tax-effective manner.

Having a corporation purchase and own a contract may reduce the availability of protection from creditors.

 Refer to “Creditor Protection of Investments” on page 29 for more information.


Corporate ownership may also reduce some of the flexibility associated with insurance investment contracts as corporations cannot name successor owners (i.e., a corporation will never die therefore a successor owner would never come into effect).


ii) Trust as owner

A trust provides a mechanism for a person (the settlor) to provide property to another person (the trustee) for the benefit of a third person (the beneficiary) while still maintaining some form of control over the property. The property is held and administered by the trustee. A trust is not a legal entity in itself. Rather, it is a method of settling property and involves a relationship between the trustee and the beneficiary.


A trust is treated as a separate legal entity for tax purposes, like a corporation or an individual.

FACT In all provinces a trust may purchase an insurance contract provided the document establishing the trust does not prohibit investment of trust funds in insurance contracts.


 For more information on trusts, please visit our website at www.manulife.ca/trs.

 The *Civil Code of Quebec* requires trusts to have formally documented terms - a “formal trust” (i.e. an “in trust for” contract may not be valid).

Normally, the trust would be owner and beneficiary of the contract so that the money would flow back to the trust upon the death of the annuitant. The annuitant may be a trust beneficiary, unless the trust document suggests otherwise. The settlor of the trust may also be the annuitant. This would allow the trust funds to pass to the beneficiary upon the death of the settlor.

 Quebec legislation sets out the additional restriction that the settlor or beneficiary of the trust may only be a trustee if he or she acts jointly with a co-trustee who is neither the settlor nor a beneficiary.

In many cases, a parent will purchase a contract on behalf of a child because a minor cannot enter into a binding contract. The owner of the contract would be indicated as “Jim Smith in trust for Johnny Smith”. This may or may not have the effect of creating a trust.

 Refer to “Trusts for Minor/Disabled Beneficiaries” on page 27 for more information.

Trusts can complicate ownership and administration of a contract. Establishing a trust requires careful consideration and usually requires the assistance of a lawyer and an accountant.

Trusts are taxed as an entity themselves but at different rates from individuals or corporations. Trusts increase the complexity of administration because the trustees can


only operate in accordance with the terms of the trust and/or the applicable legislation governing trustees. Manulife will require the trustees to submit the trust documents and all trustees will be required to authorize all transactions unless the trust agreement provides otherwise. Trusts cannot name successor owners (i.e., a trust will never die therefore a successor owner would never come into effect).

iii) Charity as owner

FACT Like corporations and trusts, charities can own insurance contracts.

This usually occurs when a philanthropist purchases a product in the name of a charity. The charity would typically be the owner and beneficiary of the product and the philanthropist could be the annuitant. This allows the philanthropist to fulfill his or her charitable wishes and receive a charitable donation credit while divesting himself or herself of assets that may reduce the tax liability of the estate at death.

Alternatively, one could bequeath a certain sum to a charity and instruct the executor to purchase an insurance contract with those funds. Upon transfer of the contract to the charity, a charitable donation receipt would be issued to the estate that could be used to reduce the tax payable in the deceased’s terminal tax return.

 For more information on charitable giving, please visit our website at www.manulife.ca/trs.



Beneficiary Designations

FACT The owner of the contract may designate a beneficiary. Where a beneficiary designation is in effect, the insurance proceeds flow directly to the named beneficiaries on the death of the last surviving annuitant or on the death of the survivor of the annuitant and Joint Life.


A beneficiary may be named by the owner in the application or by means of a subsequent declaration (a document signed by the owner changing the designation. For example, a beneficiary change form, a beneficiary designation in a will or other written document such as a trust agreement).

The owner of a contract may name different people to be the beneficiaries of his or her insurance contract and to be the beneficiaries of his or her will or estate. The estate beneficiaries have rights arising from either a will, court order or through a provincial statute other than the applicable insurance legislation or the *Civil Code of Quebec*.

A) BENEFICIARIES AND WILLS

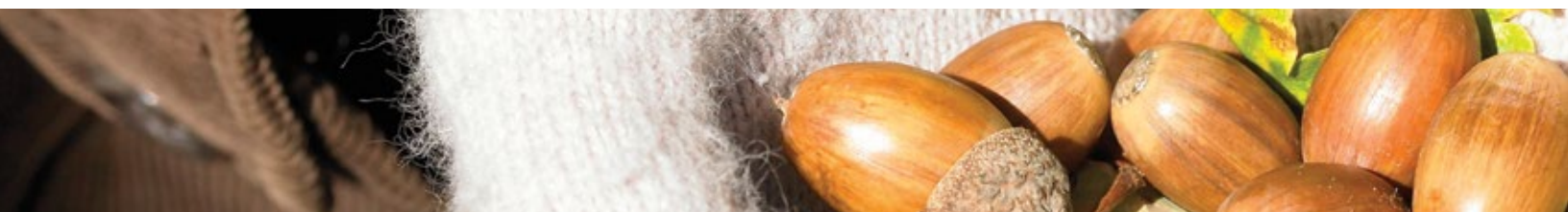
An insurance beneficiary may be designated in a will. **Even though the declaration is contained in the will, the beneficiary designation clause should confirm that the declaration is made under the applicable provincial insurance legislation (or the *Civil Code of Quebec*). It should also refer to a**

particular contract number. Citing the insurance carrier and contract number in the declaration ensures which contract is covered by the declaration. In addition, the declaration should be distinct from the distributive clauses in the will. This avoids the possibility of a failed bequest.

 In Quebec, if a reference is made anywhere in a will to an insurance product, the reference may or may not be considered a designation or a revocation of an existing beneficiary designation. Therefore, when attempting to make a beneficiary designation in a will, the owner should avoid using confusing terminology such as “give and bequeath” since such language may cause the proceeds to flow through the estate of the deceased and become accessible to the creditors of the estate.

If the intention is to revoke and make a new beneficiary designation under the contract separate and apart from the estate, it should be clearly indicated that it is intended to be a beneficiary designation under the contract as opposed to being a bequest under the will. Ambiguous language may result in delay or litigation where it is impossible for the insurer to determine with certainty the intention of the deceased.

The client should always seek legal and tax advice when preparing his or her will or making a beneficiary designation.



B) IDENTIFYING THE BENEFICIARIES

TIP Providing the name(s) and relationship to the annuitant (relationship to the policyholder in Quebec) of the beneficiary(ies) is the easiest way to identify who should receive the proceeds.

A designation becomes more complicated where a definitive description of the beneficiary is not made. For instance, “to my spouse” may cause difficulty in identifying the intended beneficiary where there is a second marriage or a common-law spouse. Depending upon the jurisdiction, spouse may also include a same-sex partner.

Upon divorce or marriage breakdown, designations already in existence must be carefully reviewed to ensure that the wishes of the contract holder are properly reflected in the designation. **Generally, where there is a named “spouse” that designation will remain in place even in the event of divorce. There must be a revocation or change of designation by the contract owner in order to change the named spouse as beneficiary.** Case law has held that a disclaimer in separation agreement disclaiming entitlement to any of the property or the estate of the other spouse will generally not be sufficient to override a beneficiary designation.

Quebec is different from the common law provinces. The *Civil Code of Quebec* expressly provides that divorce (not separation from bed and board) defeats the interests of the previously named spouse. It should be noted that in Quebec, a divorce pronounced prior to December 1982 does not cancel a spousal designation unless the court order deals with it or revocation is pronounced in a separate court order. Also, in Quebec the term “spouse” within the meaning of the *Civil Code of Quebec* always refers to married or civil union spouse only.

Where a beneficiary designation is made in favour of “my children” the designation will usually extend to all of the children of the owner including those who are adopted or born out of wedlock and stepchildren. It does not normally include foster children.

FACT In a past case, the Supreme Court of Canada concluded that “my children” includes all children born to the owner before or after the designation, who are alive at the time of death of the life insured.

In Quebec, an unborn child at the time of the death of the policyholder will be included in the designation as a child of the owner if the child survives birth.



TIP One way to avoid uncertainty is to name children specifically and to review beneficiary designations frequently, especially when events happen such as children being born.

Generally, in most provincial legislation, a designation in favour of “heirs”, “assigns”, “next-of-kin” or the “estate” of the owner will cause the personal representative of the estate of the owner to be the recipient of the insurance proceeds. The proceeds will form part of the estate of the deceased owner and will be distributed in accordance with the will or provincial legislation where there is an intestacy.


C) WHY A BENEFICIARY DESIGNATION IS IMPORTANT

i) Avoids Probate


Depending upon the jurisdiction, probate fees may create a significant liability to an estate. Regardless of the probate amount levied, it is always advantageous to avoid the application of the fees and the time and expense of having the will probated.

FACT A beneficiary designation resulting in a payment to a named beneficiary will prevent the payment of probate fees in relation to this asset.

This is because provincial insurance legislation provides that proceeds paid to a named beneficiary do not form part of the estate of the contract owner. As a result, the proceeds flow directly into the hands of the beneficiary, not through the estate. Probate fees are therefore not applicable.

 Refer to “Reducing or avoiding probate and other fees” on page 35 for more details.


Another advantage of avoiding probate is that probate can take several months (and even longer if the will is contested), thereby delaying the distribution of the assets. **A death benefit payout to a named beneficiary, on the other hand, is usually paid promptly upon receipt of all required documentation.**

 In Quebec, there are no probate fees but there are costs to having certain wills verified. If a will is a notarial will, it does not require verification. If a will is a holograph will or a will made in the presence of witnesses, financial institutions will generally require that the will be verified. If a will is verified, some fees will have to be paid to the legal advisor performing the verification or to the court, if the verification is being done through the court system.

ii) Creditor Protection

During the annuitant’s lifetime, where the beneficiary designation is either irrevocable or in favour of someone of the family class, the contract may be exempt from seizure.


At death, or on payment of the death benefit, protection from the claims of the owner’s creditors may exist where there is a named beneficiary. The proceeds pass directly to the named beneficiary and do not form part of the contract owner’s estate.

 Refer to “Creditor Protection of Investments” on page 29 for more details, as well as for specific information on creditor protection in Quebec.

iii) Control

FACT One of the advantages of an insurance contract is that the owner can name a beneficiary and control who will receive the proceeds. Provided they are revocable, beneficiary designations on an insurance contract can be changed easily without the formalities associated with a will.

A beneficiary designation can be complex or simple. It can determine when and how the proceeds will be received and can accomplish this in the insurance contract application, beneficiary change form, via a trust agreement, declaration under a will or an “Annuity Settlement Option”.

 See Form NN1001E/F on Repsource at www.manulife.ca/repsource. Simply type in NN1001 in the search function at the top right-hand corner of the screen.

The Annuity Settlement Option

TIP The Annuity Settlement Option form allows the death benefit to be paid to the beneficiary(ies) in the form of a term certain annuity or a life annuity as specified by the owner.

Depending on the type of annuity selected, periodic payments will be made to the beneficiary(ies) for a specific period of time or for their lifetime.

Multiple beneficiaries can also be accommodated. The Annuity Settlement Option allows the owner to differentiate between beneficiaries, permitting some to receive a lump sum and others to receive an annuity.


With the Annuity Settlement Option, any death benefit payments, either as a lump sum or through an annuity, to a named beneficiary, will pass outside of the owner’s estate and avoid probate fees.

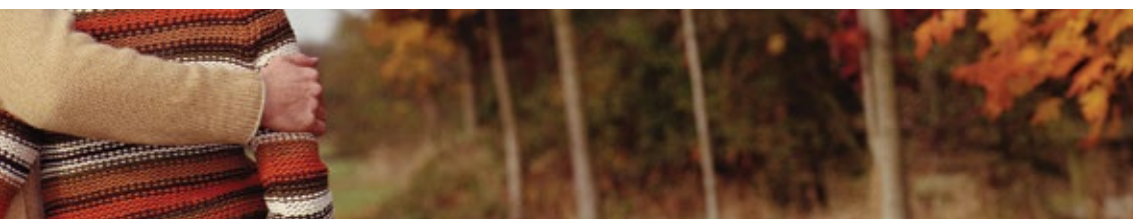
This no-cost alternative may be attractive to clients who wish to transfer their inheritance gradually as opposed to one lump-sum payment (e.g. where the beneficiary is financially irresponsible).

D) TYPES OF BENEFICIARY DESIGNATIONS

i) Revocable designations

Generally, beneficiary designations are revocable unless the owner indicates “irrevocable” on the designation.

 The exception to this rule is in Quebec where, if the beneficiary is the married or civil union spouse, the designation is irrevocable unless “revocable” is specified. The owner of the contract can change or revoke a revocable beneficiary designation at any time during the lifetime of the annuitant.



ii) Irrevocable designations

Manulife does not recommend the use of irrevocable beneficiary designations. The circumstances in which an irrevocable beneficiary designation is desirable are rare. In many cases, irrevocable designations are made without considering the consequences of such a designation.


FACT With an irrevocable beneficiary designation, the owner of the contract may not make certain changes to the contract without the consent of the irrevocable beneficiary.

Among other things, the owner would be unable to change the beneficiary designation, change the owner, assign the contract as collateral for a loan, make withdrawals or surrender the contract. This is further complicated when minors are named as irrevocable beneficiaries as they are unable to give consent until attaining the age of majority, nor can anyone do so on their behalf. In addition, spouses often wish to name each other irrevocably, not realizing that separation or divorce will not undo such a designation (except in Quebec).

Occasionally, a client will be required to designate a former spouse as irrevocable beneficiary under the terms of a court order or separation agreement.

Irrevocable beneficiaries and creditor protection

TIP In unusual circumstances, an irrevocable beneficiary designation can be used where the owner wishes creditor protection for the contract but has no one of the “family class” who could be named as beneficiary. The owner could name someone outside the “family class” as irrevocable beneficiary to achieve creditor protection.

 Refer to “Creditor Protection of Investments” on page 29 for more details including “family class” beneficiaries.

Irrevocable beneficiary and RRIF successor annuitant or Joint Life designation

TIP An irrevocable beneficiary designation may also be used in conjunction with a successor annuitant or Joint Life designation on a RRIF.


Note: An irrevocable beneficiary designation is not available with locked-in funds with a successor annuitant or Joint Life designation.

Upon the death of the primary annuitant, the contract provisions will continue to the successor annuitant or Joint Life. **However, because of the irrevocable beneficiary designation, the successor annuitant or Joint Life will not be able to change the beneficiary designation, increase scheduled payments or terminate the contract without the consent of the irrevocable beneficiary(ies).** This option allows the



owner to make provisions for the successor annuitant or Joint Life (the spouse), while leaving a death benefit to a different named beneficiary (for example, the children).

However, as with any RRIF, on the death of the surviving spouse his or her estate will be responsible for the payment of tax on the value of the RRIF at the date of his or her death. It is very important that the client understands this prior to entering such an arrangement. If it is not the intention to have the estate of the surviving spouse be responsible for these taxes, alternatives for addressing the tax liability should be discussed at the time the surviving spouse is named as successor annuitant or Joint Life on the RRIF.

 Refer to “Successor annuitant” – Registered contracts on page 10 and “Joint Life Payout Option Contracts” – RRIF Contracts on page 12 for more details.

TIP Naming a beneficiary irrevocably can be used when one wants to transfer ownership but effectively retain control of the asset, for example; a parent who wishes to give money to an adult child but does not want them to spend it irresponsibly.

The contract would be set up with the adult child as owner and annuitant and the parent as irrevocable beneficiary so that the child could not make any changes to the contract (e.g., withdraw funds, assign the contract or change the beneficiary) without the parent’s consent. Although, upon the death of the irrevocable beneficiary (the parent), control of the asset will vest with the owner (the child).

E) INSURANCE AND PERSONS ACTING IN A REPRESENTATIVE CAPACITY (POWERS OF ATTORNEY)

Legal representatives of natural persons include a person named as attorney under a power of attorney or someone who has been appointed a guardian or a committee. Insurance applications are sometimes submitted by someone acting as the legal representative of the owner. At other times, the representative may wish to make certain changes to the contract or engage in certain transactions on behalf of an owner who has become incapacitated or is otherwise unwilling or unable to act.

A testamentary disposition occurs when someone takes steps to dispose of an asset but the disposition will not occur until his or her death.

In common law provinces, testamentary dispositions can usually only be made in a will, while in Quebec they can be made in a will, as well as in a marriage contract. However an attorney or representative is not capable of making a will or marriage contract for another person.


Provincial insurance legislation permits the owner of insurance contracts to appoint beneficiaries and successor owners outside a will. This legislation does not specify that these rights may be delegated. Many people have argued such rights may not be delegated where the exercise of the rights would result in a testamentary disposition.



The contrary argument is that naming a beneficiary is the exercise of a contractual right of the owner, and is not similar to the writing of a will or codicil.

Even if a right or power may be delegated, a person acting under a power of attorney or in a representative capacity is generally considered to be acting in a fiduciary capacity.

This means that the representative is required to only exercise his or her powers for the benefit of the person whose property he or she is managing, subject to very specific powers to the contrary in the document under which he or she was appointed or as specifically provided by legislation. **The power may not generally be used to benefit the attorney/guardian or any third party.**

 In Quebec, the concept of “fiduciary capacity” is not clearly associated with the obligations of a person acting under a Mandate, the legal term used in Quebec to describe the legal relationship between the attorney (Mandatory) and the person (Mandator) who delegated powers to the attorney. A Mandatory must act in good faith, in the best interest of the mandator, and avoid conflict of interest situations. Furthermore, unless the Mandatory’s powers are clearly enunciated in the Mandate or power of attorney, he or she is restricted to the rules of simple administration which is limited to acts of conservation of property.

i) Beneficiaries and successor owners named by representatives and attorneys

There is uncertainty about whether an attorney or representative of the owner may name a beneficiary.

In such cases, a beneficiary designation is similar to a testamentary disposition, which ordinarily may not be delegated.

Similarly, a representative naming a successor owner could be considered to be a testamentary disposition as the alienation of the property takes place on the death of the owner. There is, therefore, uncertainty about the validity of any successor owner designation made by an attorney or representative, whether or not the owner is the annuitant.

ii) Manulife’s policy

Note that due to the uncertainty of the law in this area, any transaction by an attorney or representative may be challenged or subject to additional requirements and delays.

TIP Where the owner is still legally competent, we strongly recommend that the owner sign beneficiary designations, successor owner appointments and other restricted transactions so as to limit the chance of future disputes or the effect of changes in the law or Manulife’s practices.

If the owner/annuitant is no longer competent, Manulife will request that the attorney confirm this in writing or may require a court order declaring the owner/annuitant incompetent.

Manulife may accept a beneficiary designation or designation of a successor owner named by an attorney



or representative where that disposition is in accordance with the testamentary intention of the owner.

Where the funds do not have existing designations, Manulife will generally ask to see a copy of the owner's last will to ensure that the beneficiary designation or successor owner follow the will. For instance, if there is a gift-over to the children of an estate beneficiary in the event he or she dies before the testator, that same gift-over should be specified in the beneficiary designation.

By looking at the will or prior designation, Manulife attempts to confirm that the attorney's designation of the beneficiary or successor owner will not be changing the testamentary intention of the owner. Where there is no will, Manulife may consider recognizing a beneficiary who would be entitled to receive the estate in the case of intestacy.

Manulife cannot confirm that designations made following the above practices are valid, and may request the written consent of the executor of the estate and a notarial or probated copy of the will prior to payment of the death benefit.

The fact that the attorney or representative has not attempted to change the person or people entitled to the contract or funds on the death of the owner or annuitant reduces the possibility of conflict and claims that he or she has acted beyond the scope of his or her authority.

If Manulife receives a beneficiary or successor owner designation named by an attorney or representative in favour of someone other than the estate beneficiaries, or which conflicts with a previous designation, we may not be able to honour that designation without the consent of other persons possibly entitled on the death of the annuitant. Failure to change the designation prior to the death of the annuitant could result in delay in payment of a death claim, or a payment into court by Manulife so that the court may resolve the issue of entitlement. In the event such designations are made on an application for a contract, we may decline to issue the contract.

If the money being invested is coming from an investment which has a beneficiary designation or successor owner, executed by the incompetent person while still competent, it is a requirement that the exact same beneficiary and successor owner designations be put in place for the new contract.

A 2002 common law court decision involved a person acting as an attorney under a power of attorney who moved money from an investment to a similar investment at another financial institution. The first investment had a beneficiary designation in place but the attorney failed to maintain that designation on the new investment. The court held that the attorney could not alter the estate planning of the owner and should have retained the existing beneficiary designation.

Note, in B.C. amendments to the Power of Attorney Act came into effect in 2011 and specifically provide attorneys the ability to create new designations in certain situations. For products renewing, replacing, or converting to a similar product, the new designation must be the same as what was made under the original product by the grantor while capable. For new products (not renewing, replacing or converting another), the designation must be the grantor's estate.

TIP Before an attorney or representative applies for an investment insurance contract, the advisor should explain how the attorney may be limited in his or her ability to deal with the contract.

iii) Other transactions by representatives and attorneys

Transactions such as absolute assignments (transfers of ownership) and collateral assignments would generally not be considered to be testamentary dispositions.

However, as noted earlier, the attorney or representative is generally a fiduciary and must act in the owner's best interest and not benefit himself or herself or any third party. Acts which are not in the best interest of the owner may be outside the scope of the fiduciary's capacity and potentially ineffective.

Manulife generally takes the position that an absolute assignment of the contract is ineffective as it is not in the best interest of the owner. Also a collateral assignment of the contract may be against the interest of the contract owner.

Manulife may permit an attorney to engage in these 'restricted' transactions if the attorney can provide evidence that the transaction is for the benefit of the owner or in accordance with his or her previously expressed intent.




Trusts for Minor/Disabled Beneficiaries

TIP If a minor or a legally incompetent person is designated as the beneficiary under a contract, it is recommended, in provinces other than Quebec, that the owner of the contract name a trustee to manage the funds on behalf of the beneficiary.

Failure to do so may result in a court application having to be made to have someone appointed to that role. There is also the possibility that management of the funds will become the responsibility of a government agency.

TIP It is recommended when designating a minor or legally incompetent owner or beneficiary to have a formal trust document created. In the case of a minor, this gives the settlor of the trust (most often the parent or grandparent) the ability to specify at what age the minor will be entitled to receive the funds and the types of investments that can be purchased, as well as the option to allow the trust funds to be used for the benefit of the minor prior to them reaching the age of majority. The trust can be created within a will. Trust provisions within the will should clearly identify the beneficiaries, the trustee, the contract information and indicate that the death benefit proceeds under the contract create a separate insurance trust and do not form part of the estate.

 In Quebec, a beneficiary designation cannot include the appointment of a trustee to manage the funds on behalf of a minor (or incapacitated person). If a minor has a surviving parent (mother or father) who has not been deprived of his or her parental authority, payment of the death benefit may be made to the parent as tutor. If the owner does not wish a surviving parent to claim the funds on behalf of the minor, he or she should consult


with a legal advisor about the possibility of having the funds flow through the estate and designating in his or her will the person they would want to administer the death benefit.

TIP If your client is considering establishing a trust for a beneficiary who is entitled to government support or subsidy programs, your client may wish to discuss the concept of a completely discretionary trust, often referred to as a “Henson trust”, with a legal advisor. Depending on the jurisdiction, a completely discretionary trust may preserve the disabled beneficiary’s entitlement to government benefits because he or she is not considered to own the assets. The government support or subsidy program rules should be carefully reviewed before proceeding.

A) FORMAL TRUSTS VS. “IN TRUST FOR” CONTRACTS

Great care should be taken when making an “in trust for” ownership or beneficiary designation.

There are several issues which need to be addressed in such a situation. An informal trust (using “in trust for”) does not involve a written trust agreement. As such there may be confusion over the terms and conditions and difficulty proving their existence. Whereas, formal trusts are established by a written trust agreement that outlines the terms and conditions and clearly identifies the persons and property involved.

 In Quebec, only formal trusts are recognized, as the concept of an informal trust (i.e., an “in trust for” contract) does not exist. A valid trust requires a person, the settlor, to transfer property from his patrimony to another patrimony established by him for a particular purpose and which a trustee agrees to hold and administer.

Simply using the words “in trust for” will not necessarily create a trust. For a trust to exist, three certainties must be met:

- Certainty of intention
- Certainty of subject matter
- Certainty of objects

i) Certainty of intention

Certainty of intention means that there must be a clear intention to create a trust relationship, not simply an agency relationship or some other relationship. The Canada Revenue Agency (CRA) has stated that this in particular could be difficult to prove without more than the simple use of the words “in trust for”. This is because in many cases, a parent wishes to open an investment in a child’s name due to the fact that a minor cannot enter into a contract, but they really have no intention of giving up ownership and control of the assets.

In addition, although a trust will often be protected from creditors of the settlor, that same protection may not be available in a simple “in trust for” contract if the intention to actually create a trust is in doubt.

ii) Certainty of subject matter

Certainty of subject matter refers to the property being settled in the trust. This is usually not an issue with investment products as the property is simply the funds being invested.

iii) Certainty of objects

Certainty of objects refers to either persons (beneficiaries) or purposes. Usually we need only concern ourselves with the identification of beneficiaries, although purposes do become relevant in some charitable situations.

The identity of beneficiaries is easily ascertainable if they are named. Difficulties can arise, however, when broad wording is used such as “my children” (if this is a second marriage, were stepchildren meant to be included? What about children born out of wedlock?) or “my nieces and nephews” (the legal meaning may not include a spouse’s nieces and nephews – was this the intended result?).

Aside from having to guess one’s intention, an “in trust for” contract poses additional problems. Typically, no investment powers are specified, so the applicable provincial trustee legislation would apply. All provinces and territories have adopted the prudent person rule for trustee investments, which provides wide discretion in investing, as long as certain tests are met.

Often, of even greater concern, is the age at which a minor beneficiary is entitled to receive funds held in trust.

FACT A simple “in trust for” designation, without clearer instruction, will result in the child having the right to demand the trustee pay out the funds upon the minor attaining his or her majority (age 18 or 19, depending on the province). If the trustee refuses, the child can apply to court for an order that the trustee pay out the funds.

When using an “in trust for” or informal trust designation please use a declaration of trust document describing the terms of the trust.



For more information on trust agreements or declarations of trust, please visit our website at www.manulife.ca/trs

Clients should seek legal and tax advice when considering the use of a formal trust or “in trust for” designation.

Creditor Protection of Investments

FACT As a general rule, all assets of an individual or entity are available to satisfy unpaid debts owing to a creditor. This applies whether or not the individual or entity is bankrupt.


FACT Most RRSPs issued by insurance companies take the form of an undertaking to provide an annuity and come under the definition of life insurance in provincial insurance legislation.

Traditionally, however, life insurance contracts have been given special protection against the claims of creditors under provincial insurance legislation. The legislation, which is generally consistent across Canada (see the following for exceptions in Quebec), is intended to protect the rights of the beneficiaries under the contract. The definition of life insurance in all provinces includes annuity contracts.

New federal provisions provide creditor protection to all RRSPs, RRIFs, and Deferred Profit Sharing Plans (DPSPs) in the event of bankruptcy only but do not protect contributions made in the 12 months preceding bankruptcy. The federal legislation does not override provincial laws dealing with creditor protection such as the provincial Insurance Acts or where provincial protection is already available¹.

Under the provincial Insurance Acts full creditor protection may be available to registered and non-registered plans where an appropriate beneficiary is named.

FACT For a Registered Education Savings Plan (RESP) the *Income Tax Act* (Canada) requires that the RESP Trust must be the contract beneficiary and therefore no creditor protection is available.

 The Supreme Court of Canada decision in the case of *Bank of Nova Scotia v. Thibault* had a significant impact on creditor protection in Quebec. In response, the *Act respecting insurance* and the *Act respecting trust companies and savings companies* were amended in 2005. Any Quebec contract offered for sale as an annuity contract as of December 6, 2005 and purchased before March 1, 2006 that did not meet the definition of an annuity contract had creditor protection grandfathered, provided a qualified beneficiary is designated. As of March 1, 2006, all annuity contracts had to comply with the existing definition of annuity found in the *Civil Code of Quebec* and the new legislative provisions. Manulife amended its contracts to make potential creditor protection available to investors who designate a qualified beneficiary.

¹ At time of publication, British Columbia, Alberta, Saskatchewan, Manitoba, Prince Edward Island and Newfoundland & Labrador had expanded creditor protection to non-life insurance RRSPs.




A) CREDITOR PROTECTION DURING LIFE

Creditor protection during the life of the owner may be available by:

- Making an irrevocable beneficiary designation in a life insurance contract
- Designating certain family members specified in the provincial insurance legislation as beneficiaries (“family class” beneficiaries)

i) Making an irrevocable beneficiary designation in a life insurance contract


In the case when a beneficiary is designated irrevocably, the owner, while that beneficiary is living, may not alter or revoke the designation without the consent of the beneficiary and the contract is not subject to the sole control of the owner or of the owner’s creditors.

 Refer to “Irrevocable designations” on page 22 for more details.

ii) Designating certain family members specified in the legislation as beneficiaries (“family class” beneficiaries)

In this case, an investment in a guaranteed interest or market-based insurance product such as Manulife’s GIC or segregated fund contracts, is generally protected from creditors during the lifetime of the owner if he or she has designated a beneficiary of the “family class”.

In provinces other than Quebec, a family class beneficiary would be any of the spouse, child, grandchild or parent of the annuitant.

 In Quebec, a family class beneficiary would be any of the following: the married or civil union spouse, or descendants and ascendants of the policyholder. (It is important to be mindful of this distinction, particularly in cases where creditor protection is important and the owner is not the annuitant).

An added consideration arises when naming a trustee for the benefit of minor children. The class identified in the provincial legislation does not include a trustee.

Arguably, the provisions of the legislation could be construed to extend to this situation, because the same contract considerations would apply in this situation as would apply where the children are direct beneficiaries.


Although arguments on this issue have yet to be tested before the courts, where the beneficiary is a trust for the benefit of the children or grandchildren of the annuitant, it is possible that the courts would look through to the ultimate beneficiary of the proceeds for the purposes of creditor protection.

However, the legislation specifically permits the naming of a beneficiary under a contract and then separately naming a trustee for that beneficiary. The distinction here is that instead of a single line ‘in trust for’ beneficiary designation, the trustee and the minor child have been separately named. Using this approach creditor protection is likely preserved, in provinces other than Quebec.

TIP When completing a Manulife application you would provide the name of the beneficiary in the beneficiary election section and then the name of the trustee on a separate line in the same section of the application.

TIP In order to improve the likelihood of a contract being creditor protected, the owners may prefer to designate as their beneficiary, for all or at least a significant part of the death benefit, a person of the family class who is not one of the owners, such as their children.

It should be noted, in any case, that creditor protection is not absolute.

 Refer to “Other potential restrictions to creditor protection” on page 32.

B) HUSBAND AND WIFE AS JOINT OWNERS
(applies to non-registered contracts only)

In cases where there are joint owners who are husband and wife, and one of them is the annuitant and the other is the named beneficiary, there may be a challenge by the creditors as to whether the contract is protected.

This is due to the argument that the beneficiary is also an owner and therefore does not qualify as a family class beneficiary, since insurance legislation and caselaw specifically excludes the owner and the owner’s estate from the definition of “beneficiary”. In such a situation, the position could be taken that the contract is creditor protected; **however, there is no assurance that a court will agree.**

The owners need to understand what would happen in the event that either of them dies. By making this type of designation in a joint ownership situation, they could be trading the assurance of a death benefit for a spouse in favour of potential creditor protection. To illustrate:

Spouse as beneficiary:
Spouse gets death benefit
Owner may forfeit creditor protection if the spouse is also an owner


Children as beneficiaries:
Greater potential creditor protection
Children receive death benefit, no death benefit payable to spouse

Another alternative is to name one spouse as owner and annuitant, with the other one named as successor owner and successor annuitant or Joint Life where permitted. The children could then be named as beneficiaries.




However, keep in mind that, when a successor annuitant or Joint Life is named, no death benefit is payable to the named beneficiary(ies) until the death of the last surviving annuitant or the death of the survivor of the annuitant and Joint Life.

As well, the death benefit guarantee is not paid on non-registered contracts until the death of the last surviving annuitant or the death of the survivor of the annuitant and Joint Life.

 Refer to “Successor annuitant” on page 9 or “Joint Life Payout Option Contracts” on page 11 for more details on these options.

TIP One should also consider whether to take advantage of the spousal election to rollover feature, if available, and divide the jointly held assets into two separate contracts with each spouse recorded as owner and annuitant of his or her portion of the assets and the other spouse named as beneficiary. The children would be named as secondary beneficiaries.

Upon the death of the first spouse, this feature allows the surviving spouse who is named as beneficiary to choose to either elect to continue the contract as owner and annuitant under the spousal rollover rules or to receive the death benefit payout.

 Refer to “Spousal election to rollover” on page 8 for more details.

C) OTHER POTENTIAL RESTRICTIONS TO CREDITOR PROTECTION

FACT A contract with an irrevocable or family class beneficiary may not be protected if the purchase of, or transfer to the insurance product, or the designation of the beneficiary, is found to have been done specifically in order to avoid creditors, or when the owner was on the verge of insolvency.

The *Bankruptcy and Insolvency Act* (BIA) and provincial legislation dealing with creditors contain “fraudulent settlement” provisions designed to prevent debtors from sheltering assets from creditors. These pieces of legislation may, in certain circumstances, nullify the protection granted by provincial Insurance Acts where the insurance was purchased or changed in order to frustrate creditors.

Generally, provincial legislation will allow the creditor to set aside transactions where the intent of the transaction is to avoid the claims of creditors.

FACT A trustee in bankruptcy may challenge the creditor protection where a fraudulent settlement has been made, regardless of when it occurred, and actions such as naming a new beneficiary, purchasing a new contract, or transferring unprotected assets to a protected contract to avoid creditors may be subject to attack.



Great caution needs to be exercised when dealing with the issue of creditor protection where the person applying for insurance or the owner of a contract is in financial difficulty. For instance, there is a chance that a court may find that the contract can be seized where the insurance was purchased or a designation was made by an owner trying to avoid creditors.

Finally, a corporation should very carefully investigate the potential implications of designating either an irrevocable beneficiary or a family class beneficiary in an attempt to gain creditor protection of its investment (not applicable in Quebec). The corporation's lawyers and accountants should be consulted regarding taxation and other implications to the corporation and the beneficiary.

D) CREDITOR PROTECTION FOR AMOUNTS PAYABLE TO BENEFICIARIES

On the death of the annuitant, any investment or insurance product, which contains a beneficiary designation other than that of "the estate", is generally protected from the owner's creditors.

The death benefit is specifically excluded from the estate of the owner as the proceeds flow directly to the beneficiary, placing them beyond the reach of the owner's creditors, provided it is not found to be a fraudulent settlement as described earlier.

Despite this arrangement, where the owner is the annuitant, a dependant's relief claim can partially or completely override a beneficiary designation. If adequate provisions have not been made for the support of the dependants of the deceased owner/annuitant, the court may order adequate provisions be made out of the estate or may require payments to the dependants from contracts with beneficiary designations including insurance contracts.

E) CREDITOR PROTECTION AND SUCCESSOR OWNERS

Where a successor owner is named, upon the death of the owner, and assuming an annuitant or Joint Life is still alive, ownership of the investment insurance contract will be transferred directly to the successor owner and not form part of the owner's estate. As a result, the contract will generally be free from claims of the estate creditors provided it is not found to be a fraudulent settlement as described earlier.

F) A FINAL NOTE ABOUT CREDITOR PROTECTION

FACT It is important to note that when we speak of creditor protection, we are speaking of protection against the creditors of the owner of the assets or of the owner's estate.

The funds, once received by a beneficiary, whether in the form of a lump sum or as an income stream, are generally not protected from the creditors of that beneficiary.

Care should be taken when deciding on a beneficiary. One should first determine who is more financially at risk, the contract owner or the beneficiary(ies). For example, a retired debt-free widower who supports himself with investment and pension income is not likely in need of creditor protection. However, any beneficiary(ies) involved in a business or who are professionals may need the creditor protection. In such a situation, good will planning or the use of testamentary trusts would protect the beneficiary(ies) from their creditors.

In the past, income streams, such as RRIF income or annuity payments from an insurance contract, although paid directly to the payee, have been subject to garnishment by creditors, even though the capital investment may be protected.

However, it has been successfully argued in several provincial courts of appeal (Ontario, Newfoundland and Saskatchewan), that, under certain circumstances, RRIF and annuity payments may also be protected and exempt from garnishment. Income payments that were previously garnishable may now be exempt until deposited to a bank account. Unscheduled withdrawals, however, remain subject to garnishment.

The CRA has taken the position that there is no creditor protection when it issues a garnishment notice, otherwise known as a “Requirement to Pay”. If a withdrawal is requested while a “Requirement to Pay” is in force, we are required to satisfy the “Requirement to Pay” and forward funds to the CRA.

To avoid child and spousal support payments going into arrears, many provinces have given their government enforcement programs the ability to deduct support payments directly from third parties who make payments to persons having an obligation to pay support. Depending on the provincial regime, certain sources of income can be garnished for this purpose including, for instance, annuity payments and retirement income. This garnishment can take precedence over any creditor protection that may otherwise apply.

Clients should always be encouraged to obtain independent legal advice with respect to creditor protection of their investments.




Reducing or avoiding probate and other fees

A) WHAT IS PROBATE AND WHY IS IT REQUIRED?

FACT Probate is a process in which a court confirms the validity of a will. This process verifies the authority of the executor and validates that the will presented is, in fact, the last will and testament of the deceased. If the estate includes certain types of assets, such as real estate, they may not be able to be distributed until the will clears probate.

The probate process may be a lengthy and costly one, potentially tying up the assets for months (and for much longer if a will is contested). For a spouse or dependants in need of funds, the delay could result in serious financial problems.

 Probate does not apply in Quebec; the process used is called verification. Verification, as defined by law, is not required in Quebec if the will is a notarial will. Notarial wills are drafted and witnessed by a notary in Quebec who keeps the original and files a report with a central registrar. If a person dies in Quebec and he or she does not have a notarial will then verification by a legal advisor will be required.

B) WHEN IS PROBATE REQUIRED?

Although probating a will is sometimes not legally required, many financial institutions require it if the value of non-registered assets held with them exceed a certain amount, often as low as \$20,000.

In some provinces probate may be required if the deceased holds real estate in a land registration system where the provincial government guarantees title to some extent (e.g., the Ontario Land Titles System).

For insurance contracts, there are several instances where property could be transferred to an estate and therefore, probate may be required.

Contracts where the owner and annuitant are the same person:

- If the owner has designated his or her estate as the beneficiary, the death benefit is payable to the estate of the owner
- If there is no named beneficiary living at the time the owner dies, the death benefit is payable to his or her estate
- If the owner and primary beneficiary die under circumstances where it cannot be determined who died first and there is no secondary beneficiary, it is deemed that the beneficiary died first so the death benefit would be payable to the owner's estate

Contracts where the owner is a different person from the annuitant:

- If there is no successor owner named and the owner dies, the ownership of the contract would transfer to the owner's estate
- If there are multiple owners, the ownership type is tenants in common, there are no successor owners designated and an owner dies, that person's ownership share will transfer to his or her estate

C) INVESTING WITH AN INSURANCE COMPANY CAN REDUCE PROBATE FEES

TIP One of the easiest ways to bypass the probate requirement or reduce probate fees is through a beneficiary designation on an insurance investment contract.

Most financial institutions require a will to be probated for non-registered investments when the value of the investment(s), or the value of the estate (including real estate), reaches a certain amount. This is not the case with registered or non-registered insurance investment contracts where the owner has named a beneficiary, other than the estate, to receive the death benefit.

FACT Insurance investment contracts are governed by provincial insurance legislation that allows an individual to name a beneficiary. This legislation protects the insurer when it pays a death benefit according to the last named beneficiary on file (even though a more recent designation may have been made elsewhere).

As a result, insurance companies can pay the death benefit to the beneficiary named in the contract immediately upon receipt of appropriate documentation without requiring a probated copy of the will. As well,

these assets do not form part of the estate for the purpose of determining probate fees, which are based on the total assets requiring probate².

In the example that follows (in which the probate fees total \$2,365), if the deceased had invested even half of his or her estate in an insurance investment contract with a named beneficiary, the probate fees would have been \$1,433 less. And if all the assets were invested in that way, the fees would have been nil.

D) PROBATE IS A COSTLY PROCESS

Obtaining probate is costly. Probate fees increase according to the total assets covered by the will. The table on pages 38-39 summarize the probate fees payable in each province.

In Ontario, for example, probate fees are \$5 per every \$1,000 (for estates valued up to, and including, \$50,000), or \$250 plus \$15 per every \$1,000 (for estates valued over \$50,000). In addition, the filing for probate will incur legal fees.

E) DON'T FORGET OTHER ESTATE ADMINISTRATION COSTS

In some provinces, probate fees are much lower than in Ontario. Therefore, other fees such as executor's fees and legal and accounting fees, which result from administering the deceased's estate, may be of greater concern.

² In Saskatchewan, insurance policies with a named beneficiary are identified on the application for probate despite the fact that these assets do not flow through the estate and are not subject to probate fees



The following are examples only – actual costs will vary by province.

- Executor’s fees
 - 2.5 per cent of revenue receipts/disbursements
 - 2.5 per cent of capital receipts/disbursements
 - 0.4 per cent per annum of gross asset value of the estate
- Legal fees for passing of accounts – 0.5 per cent to three per cent of assets depending on size of the estate

- Accounting fees for preparation of estate trust tax returns and deceased’s final tax return

Source: CCH Canadian Estate Administration Guide

TIP Whenever a fee is calculated based on a percentage of the total value of the estate, investing in insurance products and naming beneficiaries other than the estate reduces the value of the estate and consequently the fees.

This table illustrates a scenario of what could happen if an investor holding \$200,000 in a mutual fund as compared to a Manulife segregated fund contract or Guaranteed Interest Contract (GIC) were to die in the fourth year of a contract with DSC or surrender charges applicable at a fourth year rate (4.5%). Fees applied in the table are those in effect as of the date of publication.

THE VALUE OF NAMING A BENEFICIARY

Based on \$200,000 example in Ontario

Fee	Structure	COST	
		Mutual Fund (\$)	Segregated Fund/GIC (\$)³
DSC / surrender charges	0% to 6% Waived at Manulife⁴ (4.5% used in this example)	9,000	0
Probate Fee	\$250 + \$15 per \$1,000 > \$50,000	2,365	0
Executor’s Fee	Varies by province – up to 5% for corporate executors (1% used as majority name family members)	1,910	0
Legal Fees	0.5% to 3% of assets + accounting fees (3% used in this example)	5,730	0
Total cost		19,005	0


For illustration purposes only

Costs will vary depending on the province, complexity of the estate and length of time the assets were held in the segregated fund contract or GIC. This table illustrates a scenario of what could happen if an investor were to die in the fourth year of a contract with DSC applicable at a fourth-year rate (4.5%).

³ Refers to segregated fund contract and Manulife Investments Guaranteed Interest Contract

⁴ Note that Manulife Mutual Funds will waive the DSC on the death of the owner

Provincial probate/verification fees and taxes

 For current probate/verification fees please visit www.manulife.ca/trs.

PROVINCE	VALUE OF ESTATE	FEES/TAX
British Columbia	Up to and including \$25,000	\$0
	\$25,001 to \$50,000	\$208 + \$6 per \$1,000 in excess of \$25,000
	\$50,001 or more	\$358 + \$14 per \$1,000 in excess of 50,000
Alberta	Up to and including \$10,000	\$25
	\$10,001 to \$25,000	\$100
	\$25,001 to \$125,000	\$200
	\$125,001 to \$250,000	\$300
	\$250,001 or more	\$400 maximum
Saskatchewan	Any amount	\$7 per \$1,000
Manitoba	Up to and including \$10,000	\$70
	\$10,001 or more	\$70 plus \$7 per \$1,000
Ontario⁵	Up to and including \$50,000	\$5 per \$1,000
	\$50,001 or more	\$250 + \$15 per \$1,000 in excess of \$50,000
Quebec	Non-notarial will	N/A – (Court verification fee only)
	Notarial will	No fee
New Brunswick⁵	Up to and including \$5,000	\$25
	\$5,001 to \$10,000	\$50
	\$10,001 to \$15,000	\$75
	\$15,001 to \$20,000	\$100
	\$20,001 or more	\$5 per \$1,000
Prince Edward Island	Up to and including \$10,000	\$50
	\$10,001 to \$25,000	\$100
	\$25,001 to \$50,000	\$200
	\$50,001 to \$100,000	\$400
	\$100,001 or more	\$400 + \$4 per \$1,000 in excess of \$100,000

PROVINCE	VALUE OF ESTATE	FEES/TAX
Nova Scotia⁵	Up to and including \$10,000	\$83.10
	\$10,001 to \$25,000	\$208.95
	\$25,001 to \$50,000	\$347.70
	\$50,001 to \$100,000	\$973.45
	\$100,001 or more	\$973.45 + \$16.45 per \$1,000 in excess of \$100,000
Newfoundland and Labrador	Up to and including \$1,000	\$60
	\$1,001 or more	\$60 + \$5 per \$1,000 in excess of \$1,000
Northwest Territories	Up to and including \$10,000	\$25
	\$10,001 to \$25,000	\$100
	\$25,001 to \$125,000	\$200
	\$125,001 to \$250,000	\$300
	\$250,001 or more	\$400
Yukon	Up to and including \$25,000	\$0
	\$25,001 or more	\$140
Nunavut	Up to and including \$10,000	\$25
	\$10,001 to \$25,000	\$100
	\$25,001 to \$125,00	\$200
	\$125,001 to \$250,000	\$300
	\$250,001 or more	\$400

⁵Fees are a tax

Important Notes

- Some provinces may also charge filing fees and other administrative costs. Provincial legislation must be reviewed to understand all applicable fees and costs
- The value of estate is calculated according to the rules of each province which may or may not allow deductions for such things as specific debts or property (real or personal) located outside the province
- Fees may be payable in more than one province
- Chart valid as of April 2010 – subject to change where amendments to provincial legislation and regulations occur

The following charts illustrate situations that frequently arise and discuss different contract set-ups. You may find the following charts helpful to you when setting up contracts.

Examples of “typical” non-registered contract set-ups

OWNER	ANNUITANT	BENEFICIARY	SUCCESSOR OWNER
Husband	Husband	Wife	N/A unless successor annuitant named
Husband	Wife	Husband	Wife
Husband	Child	Husband	Wife in trust for child (Please note: in Quebec it has to be a formal trust as the concept of an informal trust does not exist)
Husband and wife ¹ (jointly with rights of survivorship) ²	Wife	Husband	N/A
Husband and wife ¹ (tenants in common) ^{2, 3}	Wife	Husband	Consider naming successor owner for husband’s share
Husband and wife ¹ (tenants in common) ^{2, 3}	Wife	Husband and the wife’s mother	Husband’s brother as the successor owner for his portion of the contract

¹ The Civil Code of Quebec does not recognize either joint ownership with rights of survivorship or tenants in common. In Quebec subrogated policyholders may be appointed to achieve a result similar to joint ownership with rights of survivorship. If no subrogated policyholder is named, the effect of the law in Quebec is similar to a tenants in common arrangement

² When owners are spouses the Income Tax Act (Canada) requires the investment to be taxed in proportion to each spouse’s financial contribution. It is up to the owners of the contract to track each party’s financial contribution to the contract and to file the tax slips accordingly

³ Unless indicated otherwise, each owner has an equal share. In these examples, husband and wife would each own 50 per cent of the contract

RESULTS ON DEATH

- If the husband dies the contract ends and the proceeds are paid to the wife. If the contract allows, and the wife elects prior to or at notification of death, she may continue the contract as successor owner and annuitant (refer to "Spousal election to rollover" on page 8 for more information). If the wife is named or elects to continue as successor owner and successor annuitant, the ownership of the contract passes to the wife and no death benefit is paid on the husband's death nor does the death benefit guarantee apply
- 💰 Taxable disposition if the wife does not continue the contract. Tax slips would be issued to the husband and any gain would be taxable on his final tax return. If the wife elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost.

- If the wife dies the contract ends and the proceeds are paid to the husband
- 💰 Taxable disposition. Tax slips would be issued to the husband and any gain would be taxable on his tax return.
- If the husband dies the contract continues and the wife has ownership rights
- 💰 Not a taxable disposition, ownership of the investment transfers at cost.


- If the child dies the contract ends and the proceeds are paid to the husband
- 💰 Taxable disposition. Tax slips would be issued to the husband and any gain would be taxable on his tax return.
- If the husband dies the contract continues and the wife will own the contract "in trust for" the child
- 💰 Taxable disposition. Tax slips would be issued to the husband and any gain would be taxable on his final tax return.

- If the wife dies the contract ends and the proceeds are paid to the husband. If the contract allows, and the husband elects prior to or at notification of death, he may continue the contract as successor owner and annuitant (refer to "Spousal election to rollover" on page 8 for more information.)
- 💰 Taxable disposition. Tax slips would be issued to the husband and wife. The husband's gain would be taxable on his tax return and the wife's gain would be taxable on her final tax return. If the husband elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost.
- If the husband dies the contract continues and the wife owns 100 per cent of the contract
- 💰 Not a taxable disposition, ownership of the investment transfers at cost.

- If the wife dies the contract ends and the proceeds are paid to the husband. If the contract allows, and the husband elects prior to or at notification of death, he may continue the contract as successor owner and annuitant (refer to "Spousal election to rollover" on page 8 for more information.)
- 💰 Taxable disposition. Tax slips would be issued to the husband and wife. The husband's gain would be taxable on his tax return and the wife's gain would be taxable on her final tax return. If the husband elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost.
- If the husband dies the contract continues; his estate would own 50 per cent of the contract and the wife would continue to own 50 per cent of the contract
- 💰 Not a taxable disposition to the wife. Taxable disposition to the husband for his share. Tax slips would be issued in both names and the husband's gain may be taxable on his final tax return, depending on his estate distribution.

- If the wife dies the contract ends and the proceeds are paid 50 per cent to the husband and 50 per cent to the wife's mother
- 💰 Taxable disposition. Tax slips would be issued to the husband and wife. The husband's gain would be taxable on his tax return and the wife's gain would be taxable on her final tax return.
- If the husband dies the contract continues; his brother would own 50 per cent of the contract and the wife would continue to own 50 per cent of the contract
- 💰 Not a taxable disposition to the wife. Taxable disposition to the husband. Tax slips would be issued in both names and the husband's gain would be taxable on his final tax return.

Examples of “typical” non-registered contract set-ups (cont’d)

OWNER	ANNUITANT	BENEFICIARY	SUCCESSOR OWNER
Husband and wife ¹ (jointly with rights of survivorship) ²	Child	Husband and wife	No successor owner needed unless the owners want to specify that if both of them die while the child is still alive they want someone to own the contract. (e.g., aunt, in trust for child)
Husband and wife ¹ (tenants in common) ^{2, 3}	Child	Husband and wife	Husband specifies that if he dies his mother should be the successor owner for his portion. Wife specifies that if she dies then her sister should be the successor owner for her portion
Husband and wife ^{2, 3} 	Wife	Husband	Husband names his wife as the subrogated policyholder for his portion
Corporation	President	Corporation	N/A

¹ The Civil Code of Quebec does not recognize either joint ownership with rights of survivorship or tenants in common. In Quebec subrogated policyholders may be appointed to achieve a result similar to joint ownership with rights of survivorship. If no subrogated policyholder is named, the effect of the law in Quebec is similar to a tenants in common arrangement

² When owners are spouses the Income Tax Act (Canada) requires the investment to be taxed in proportion to each spouse’s financial contribution. It is up to the owners of the contract to track each party’s financial contribution to the contract and to file the tax slips accordingly

³ Unless indicated otherwise, each owner has an equal share. In these examples, husband and wife would each own 50 per cent of the contract

RESULTS ON DEATH

- If the child dies the contract ends and the proceeds are paid to the husband and wife or the survivor
 - 💰 Taxable disposition. Tax slips would be issued to the husband and wife. Any gain would be taxable on the husband's and wife's tax returns.
- If either the husband or wife dies the surviving spouse owns 100 per cent of the contract
 - 💰 Not a taxable disposition, ownership of the investment transfers at cost.
- If the owners have named the aunt "in trust for" the child as the successor owner in the event that the husband and wife die while the child is still alive, then the aunt would become the owner of the contract holding it "in trust for" the child. Note: a successor owner designation on this type of contract set-up would need to specify that it only comes into effect if both owners predecease the annuitant
 - 💰 Taxable disposition. Tax slips would be issued to the last of the husband and wife to die. Any gain would be taxable on his or her final tax return.
- If the child dies the contract ends and the proceeds are paid to the husband and wife or the survivor
 - 💰 Taxable disposition. Tax slips would be issued to the husband and wife. Any gain would be taxable on the husband's and wife's tax returns.
- If the husband dies the contract continues. The wife owns 50 per cent and the husband's mother owns 50 per cent
 - 💰 Not a taxable disposition to the wife. Taxable disposition to the husband for his share. Tax slips would be issued in both names and the husband's gain would be taxable on his final tax return.
- If the wife dies the contract continues. The husband owns 50 per cent and the wife's sister owns 50 per cent
 - 💰 Not a taxable disposition to the husband. Taxable disposition to the wife for her share. Tax slips would be issued in both names and the wife's gain would be taxable on her final tax return.
- If the wife dies the contract ends and the proceeds are paid to the husband. If the contract allows, and the husband elects prior to or at notification of death, he may continue the contract as successor owner and annuitant (refer to "Spousal election to rollover" on page 8 for more information.)
 - 💰 Taxable disposition. Tax slips would be issued to the husband and wife. The husband's gain would be taxable on his tax return and the wife's gain would be taxable on her final tax return. If the husband elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost.
- If the husband dies the contract continues and the wife owns 100 per cent of the contract
 - 💰 Not a taxable disposition, ownership of the investment transfers at cost.
- This set-up achieves similar effect to "Joint with Right of Survivorship" in other provinces
(Note: If a subrogated policyholder is not named, then on the husband's death his estate would own 50 per cent of the contract and the wife would continue to own 50 per cent of the contract)
- If the president dies then the death benefit (corporate asset) would be payable to the corporation
 - 💰 Taxable disposition. Tax slips would be issued to the owner.

Examples of “typical” registered contract set-ups

RRSP/RRIF/ANNUITY

OWNER ¹	ANNUITANT	BENEFICIARY	SUCCESSOR OWNER
Husband	Husband	Wife	<p>Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary</p> <p>If the spouse is named as the sole beneficiary of the RRIF contract he or she may automatically become owner of the contract. Refer to “Spousal Rollover” – RRIF and TFSA contracts on page 8 for more details</p> <p>Another exception to this is with RRIF contracts that permit a spouse to be named as successor annuitant. In this case, the spouse will also become the successor owner. Refer to “Successor Annuitant” – Registered contracts on page 10 for more details</p>
Husband	Husband	Financially dependent child or grandchild less than 18 years old	Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary
Husband	Husband	Financially dependent child or grandchild by reason of physical or mental infirmity	Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary
Husband	Husband	Anyone other than a spouse or financially dependent child or grandchild	Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary

TFSA

Husband	Husband	Wife	If the spouse is named as the sole beneficiary of the TFSA contract he or she may automatically become owner of the contract. Refer to “Spousal Rollover” – RRIF and TFSA contracts on page 8 for more details
Husband	Husband	Anyone other than a spouse	Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary

¹ Owner and annuitant must always be the same person


RESULTS ON DEATH

- If the husband dies the contract ends and the proceeds are paid to the wife
 - Ⓢ The wife may elect to transfer the entire amount to her RRSP, RRIF or qualifying annuity. The transferred amount will not be included in the husband's income at the time of death; the wife would receive a tax slip and then be able to claim a corresponding deduction. Otherwise, tax slips would be issued to the husband for the value at date of death. If the wife elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to her RRSP, RRIF or qualifying annuity.
- RRIF exceptions (where the contract allows):
 - 1) If the husband dies and the wife is named as sole beneficiary and the contract continues, the wife would become the owner of the contract and continue the original RRIF payments unless the wife elects to take the death benefit payment.
 - 2) If the husband dies and the wife is named as successor annuitant she will continue the contract as successor owner and continue the original RRIF payments.
 - Ⓢ Tax slips would be issued to the husband for amounts paid up to the date of death. The wife would receive tax slips for amounts paid after the date of death. Where permitted, if the wife elects to take the death benefit payment the tax reporting would be the same as if the husband had died and the contract ends.
- If the husband dies the contract ends and the proceeds are paid to the trustee of the child or grandchild. Where a trustee has not been appointed, the proceeds would be paid into court, to a public trustee, or to a court appointed guardian if the beneficiary's province of residence does not recognize a parent as having the authority to act on behalf of a minor child's property
 - Ⓢ Tax slips would be issued to the husband for the value at date of death. If the child's legal representative elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to a term certain annuity to age 18.
- If the husband dies the contract ends and the proceeds are paid to the child or grandchild. If the child or grandchild is mentally incapacitated, the proceeds are paid to a trustee, if named. Where a trustee has not been appointed, the proceeds would be paid into court, to a public trustee, or to a court appointed guardian
 - Ⓢ Tax slips would be issued to the husband for the value at date of death. If the child's legal representative elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to an RRSP, RRIF or qualifying annuity.
- If the husband dies the contract ends and the proceeds are paid to the beneficiary
 - Ⓢ Tax slips would be issued to the husband for the value at date of death which would be fully taxable on his final tax return. The beneficiary may receive a tax slip for income earned between the date of death and the settlement date.
- If the husband dies and names his wife as the sole beneficiary, at death, the wife would automatically continue the contract unless she elects to take the death benefit payment
 - Ⓢ Not a taxable disposition. However, if the wife takes the death benefit payment she may receive a tax slip for any income earned between the date of death and the settlement date.
- If the husband dies the contract ends and the proceeds are paid to the beneficiary
 - Ⓢ Not a taxable disposition. The beneficiary may receive a tax slip for income earned between the date of death and the settlement date.

Non-registered annuity contract applications*

SINGLE OWNER¹

OWNER	ANNUITANT	BENEFICIARY
<p>Single owner who is also the annuitant</p>	<p>Owner</p>	<ul style="list-style-type: none"> ■ Whomever the owner wishes to name; however, it should not be the owner himself or herself ■ If a spouse is named as beneficiary, he or she may be allowed to continue the contract as owner and annuitant (see "Spousal election to rollover" on page 8 for more details) ■ If a minor is named, the owner may wish to appoint a trustee for the minor beneficiary so that payment can be made right away on death. (Not applicable in Quebec – refer to "Trusts for minor/disabled beneficiaries" on page 27 for more information) ■ If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife's position that a person acting in a representative capacity may not have the authority to name a beneficiary. Refer to "Insurance and persons acting in a representative capacity (powers of attorney)" on page 23 for a detailed explanation
<p>Single owner who is different from the annuitant</p>	<p>A person who is not the owner</p>	<ul style="list-style-type: none"> ■ If the owner wishes the proceeds to be paid to himself or herself if the annuitant dies, then the owner should name himself or herself as the beneficiary ■ There may be situations where it is appropriate for someone else to be named. If the owner has named someone other than himself or herself, confirm the owner understands that upon the annuitant's death the contract ends, the proceeds are payable to the beneficiary and the owner receives nothing
<p>Minor (who is at least age 16)</p>	<p>See above</p>	<ul style="list-style-type: none"> ■ See above

 For non-resident information, please visit our website at www.manulife.ca/trs

*For Joint Life Payout Option situations, refer to charts on pages 64-65

SUCCESSOR OWNER	SIGNATURES REQUIRED ON APPLICATION	ADDITIONAL REQUIREMENTS
<ul style="list-style-type: none"> ■ If there is no successor annuitant, upon the death of the owner/annuitant, the contract terminates and the proceeds are paid to the named beneficiary. For that reason, do not name a successor owner unless a successor annuitant has been named <p>If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife's position that a person acting in a representative capacity may not have the authority to name a successor owner. Refer to "Insurance and persons acting in a representative capacity (powers of attorney)" on page 23 for a detailed explanation. However, generally speaking the attorney/committee/tutor/curator/guardian may name a successor owner only if it is in accordance with the will of the owner or if there are specific instructions under the power of attorney or court order</p>	<ul style="list-style-type: none"> ■ Owner/annuitant (or attorney, committee, curator, tutor or guardian on the owner/annuitant's behalf) 	<ul style="list-style-type: none"> ■ If someone is signing on the owner's behalf a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner's will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary or successor owner
<ul style="list-style-type: none"> ■ Whomever the owner wishes to own the contract if the owner predeceases the annuitant (e.g., he or she could name the annuitant, or alternatively a third person) ■ If someone is signing on the owner's behalf under a power of attorney or a committee, curatorship or guardianship order, or as tutor, refer to "Insurance and persons acting in a representative capacity (powers of attorney)" on page 23 for a detailed explanation. However, generally speaking the attorney/committee/tutor/curator/guardian may name a successor owner only if it is in accordance with the will of the owner or if there are specific instructions under the power of attorney or court order <p>Borrowing an age: Where the owner is too old to be the annuitant under the rules for a particular product, or too old to be the annuitant to get the investment term he or she wants, he or she may choose to name someone younger as the annuitant. It is very important to suggest that the owner name a successor owner to assume ownership of the contract on the owner's death. This strategy is not appropriate for all products, depending on product features and complexity.</p>	<ul style="list-style-type: none"> ■ Owner (or attorney, committee, curator, tutor or guardian on the owner's behalf), and ■ Annuitant (unless he or she is under the age of 16 years (generally 18 years in Quebec) in which case the parent/guardian/ tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> ■ If someone is signing on the owner's behalf a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner's will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary or successor owner
<ul style="list-style-type: none"> ■ See above 	<ul style="list-style-type: none"> ■ See above 	<ul style="list-style-type: none"> ■ The Insurance Act allows a person who is the age of 16 to make an enforceable contract (Generally 18 years old in Quebec). As a beneficiary, a person cannot receive a death benefit payment until 18 years of age

Multiple attorneys/committees/curators/guardians

If the document specifies

- Jointly – all must sign

- Jointly and severally – any or all may sign

- Not specified – assumed to be jointly, therefore all must sign

Refer to page 23 "Insurance and Persons Acting in a Representative Capacity (Powers of Attorney)" for further information on legal representatives.

Non-registered annuity contract applications*

MULTIPLE OWNERS

OWNER	ANNUITANT	BENEFICIARY
<p>Multiple owners with one owner named as the annuitant</p> <p>Note: In our experience most spouses want joint ownership with right of survivorship rather than tenants in common.</p>	<p>One of the owners</p>	<ul style="list-style-type: none"> ■ If the owners want the proceeds to be paid to the non-annuitant owner(s) in the event of the death of the annuitant, they should name the owner(s) who is/are not the annuitant as the beneficiary(ies) ■ There may be situations where it is appropriate for someone else to be named as beneficiary. If the owners have named someone other than the non-annuitant owner(s) as beneficiary(ies) please have the owners confirm in writing on the application, or in a separate signed document included with the application, that the owners understand that on the annuitant's death the contract ends and the proceeds are payable to the beneficiary and the owners receive nothing ■ If the owners choose to name the non-annuitant owner as successor annuitant, the beneficiary should be whomever is to receive the proceeds upon the death of the last surviving annuitant (i.e., their children or "estate of last surviving annuitant") ■ If someone is signing on behalf of an owner under a power of attorney or committee ship, curatorship or guardianship order or as tutor, it is Manulife's position that a person acting in a representative capacity may not have the authority to name a beneficiary. Refer to "Insurance and persons acting in a representative capacity (powers of attorney)" on page 23 for a detailed explanation
<p>Multiple owners with all owners different from the annuitant</p> <p>Note: In our experience most spouses want joint ownership with right of survivorship rather than tenants in common.</p>	<p>A person who is not named as an owner</p>	<ul style="list-style-type: none"> ■ If the owners want the proceeds to be paid to themselves on the annuitant's death then they should name themselves as the beneficiaries ■ There may be situations where it is appropriate for someone else to be named as beneficiary. If they do not wish to name all owners as beneficiaries please have the owners confirm in writing on the application, or in a separate signed document included with the application, that they understand that on the annuitant's death the contract terminates, the proceeds are payable to the beneficiaries and the owners receive nothing ■ If someone is signing on behalf of an owner under a power of attorney or committee ship, curatorship or guardianship order or as tutor, it is Manulife's position that a person acting in a representative capacity may not have the authority to name a beneficiary. Refer to "Insurance and persons acting in a representative capacity (powers of attorney)" on page 23 for a detailed explanation

*For Joint Life Payout Option situations, refer to charts on pages 64-65


SUCCESSOR OWNER	SIGNATURES REQUIRED ON APPLICATION	ADDITIONAL REQUIREMENTS
<p>Joint ownership with right of survivorship:</p> <ul style="list-style-type: none"> ■ A successor owner appointment is inappropriate and may result in conflicting claims, since the contract will not continue beyond the death of the joint owners. The only circumstance when it would be appropriate is where a successor annuitant is named who is not one of the joint owners, in which case the successor owner designation should state that it is effective “upon the death of both joint owners” <p>Tenants in common:</p> <ul style="list-style-type: none"> ■ The owner who is not the annuitant may want to name a successor owner(s) or if a successor annuitant is named, each owner may want to specify who should assume ownership of his or her portion of the contract upon his or her death <ul style="list-style-type: none"> – If there is no successor annuitant then the annuitant/owner does not need to name a successor owner for his or her portion as upon his or her death the contract ends and the proceeds are payable to the beneficiary – If it is the intention that some or all of the proceeds should revert to the other owners on the death of the annuitant, then the beneficiary designation should be set up to accomplish this <p>Ownership type not indicated:</p> <ul style="list-style-type: none"> ■ Unless otherwise indicated, “Joint Ownership with Right of Survivorship” will be deemed to be elected. This means that on the death of an owner who is not the annuitant, his or her share will automatically pass to the other owner(s). (Not applicable in Quebec) <p> The above ownership types are not applicable, so the owners may want to appoint subrogated policyholders to achieve a similar effect to “Joint Ownership with Right of Survivorship”. If no subrogated policyholder is named, the effect of the law in Quebec is similar to tenants in common.</p>	<ul style="list-style-type: none"> ■ All owners (or attorney, curator, tutor, committee or guardian on an owner’s behalf) 	<ul style="list-style-type: none"> ■ If someone is signing on an owner’s behalf a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner’s will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary or successor owner
<p>Joint ownership with right of survivorship:</p> <ul style="list-style-type: none"> ■ A successor owner appointment may be appropriate but should state that it is effective “upon the death of both joint owners”; otherwise it may result in conflicting claims on the death of an owner <p>Tenants in common:</p> <ul style="list-style-type: none"> ■ Owners may want to name the other owner(s) as the successor owner(s) or they may each want to specify who should inherit his or her portion of the contract upon his or her death ■ If it is the intention that some or all of the proceeds should revert to the owners on the death of the annuitant, then the beneficiary designation should be set up to accomplish this <p>Ownership type not indicated:</p> <ul style="list-style-type: none"> ■ Unless otherwise indicated, “Joint Ownership with Right of Survivorship” will be deemed to be elected. This means that on the death of an owner who is not the annuitant, his or her share will automatically pass to the other owner(s). (Not applicable in Quebec) <p> The above ownership types are not applicable, so the owners may want to appoint subrogated policyholders to achieve a similar effect to “Joint Ownership with Right of Survivorship”. If no subrogated policyholder is named, the effect of the law in Quebec is similar to tenants in common.</p>	<ul style="list-style-type: none"> ■ All owners (or attorney, curator, tutor, committee or guardian on an owner’s behalf) ■ Annuitant (unless under 16 year of age (generally 18 years in Quebec) in which case the parent/guardian/tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> ■ If someone is signing on an owner’s behalf a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner’s will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary or successor owner

Non-registered annuity contract applications*

NON-PERSONAL OWNERS

OWNER	ANNUITANT	BENEFICIARY
Corporation	<ul style="list-style-type: none"> ■ Typically an officer of the corporation ■ Consider naming a successor annuitant 	<ul style="list-style-type: none"> ■ It is unusual for the death of an annuitant to trigger a distribution of a corporate asset to someone other than the corporation, so normally the corporation is named as the beneficiary ■ If the corporation wishes to name someone other than the corporation as beneficiary, we require a letter from the signing officers of the company confirming that they understand the implications of making the designation and, that on the death of the annuitant, the beneficiary will receive the proceeds and the corporation will receive nothing
Estate	<ul style="list-style-type: none"> ■ Refer to the will (typically it is a person who benefits from the estate, such as a beneficiary named in the will) 	<ul style="list-style-type: none"> ■ Typically the beneficiary will be the estate (owner) ■ Sometimes the executors may want the death benefit payable to a person who would receive it from the estate immediately upon the death of the annuitant. Refer to the will for direction on what the appropriate beneficiary designation would be
Trust	<ul style="list-style-type: none"> ■ Refer to the trust agreement or declaration of trust. (Typically the annuitant is a person who benefits from the trust or the person whose death causes a distribution of the trust assets) 	<ul style="list-style-type: none"> ■ The beneficiary will usually be the trust (that is, the owner). Exception would be where the trust agreement specifically names who should receive the trust assets on the death of the annuitant, in which case that person(s) could be named as beneficiary. If, in the event of the death of that beneficiary, someone else becomes entitled under the trust to the death benefit, this should also be reflected in the beneficiary designation under the contract ■ For 'in trust for' child cases, the beneficiary should usually be the "Estate of [the child's name]". (Not applicable in Quebec – see Additional Requirements)
Non-incorporated organization (e.g., non-incorporated church, charity, association or non-profit organization)	<ul style="list-style-type: none"> ■ Typically a signing officer of the organization ■ Consider naming a successor annuitant 	<ul style="list-style-type: none"> ■ Usually the owner (i.e., the organization) will be named as the beneficiary so that if the annuitant dies the proceeds are paid to the owner

*For Joint Life Payout Option situations, refer to charts on pages 64-65

SUCCESSOR OWNER	SIGNATURES REQUIRED ON APPLICATION	ADDITIONAL REQUIREMENTS
<ul style="list-style-type: none"> Do not name a successor owner since a corporation will never die 	<ul style="list-style-type: none"> In accordance with the corporate resolution Annuitant (unless under 16 years of age (generally 18 years in Quebec) in which case the parent/guardian/tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> A corporate resolution is required Corporate and Non-individual Identity Verification form NN1555E
<ul style="list-style-type: none"> Do not name a successor owner since an estate will never die 	<ul style="list-style-type: none"> For owner, the executor(s) as specified in the will: <ul style="list-style-type: none"> If there are multiple executors the will should specify how many executors must sign. If it does not specify then we must have all executors sign the application, and Annuitant (unless under 16 years of age (generally 18 years in Quebec) in which case the parent/guardian/tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> A notarized copy of the will Corporate and Non-individual Identity Verification form NN1555E
<ul style="list-style-type: none"> Do not name a successor owner since a trust will never die 	<ul style="list-style-type: none"> For owner, as specified in the trust agreement: <ul style="list-style-type: none"> If there are multiple trustees the trust agreement should specify how many trustees must sign. If it does not specify then we must have all trustees sign the application, and Annuitant (unless under 16 years of age (generally 18 years in Quebec) in which case the parent/guardian/tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> Trust agreement/declaration of trust Corporate and Non-individual Identity Verification form NN1555E <p> Note: In Quebec, it has to be a formal trust as the concept of an informal trust does not exist.</p>
<ul style="list-style-type: none"> Do not name a successor owner since the organization will never die 	<ul style="list-style-type: none"> For owner, as specified in the supporting documentation: <ul style="list-style-type: none"> The signature of the person(s) authorized to sign on behalf of the organization, and Annuitant (unless under 16 years of age (generally 18 years in Quebec) in which case the parent/guardian/tutor may sign on behalf of the annuitant) 	<ul style="list-style-type: none"> Copy of the documentation that gives the signing officers the signing/investment authority (that is, the resolution signed by the board of directors or minutes of meeting where officers were named) plus a copy of the charter documents (e.g., articles of association, etc.) Corporate and Non-individual Identity Verification form NN1555E

Registered annuity contract applications*

RRSP/RRIF/ANNUITY/TFSA

PLAN TYPE	OWNER AND ANNUITANT	SPOUSAL CONTRIBUTOR	BENEFICIARY
Individual RRSP/RRIF	Owner and annuitant must always be the same person	Not applicable	<ul style="list-style-type: none"> ■ Whomever the owner wishes to name however; it should not be himself or herself ■ If a minor is named, the owner may wish to appoint a trustee so that payment can be made promptly on death. (Not applicable in Quebec – refer to “Trusts for minor/disabled beneficiaries” on page 27 for more information) ■ If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife’s position that a person acting in a representative capacity may not have the authority to decide to whom the death benefit should be payable. Refer to “Insurance and persons acting in a representative capacity (powers of attorney)” on page 23 for a detailed explanation
Spousal RRSP/RRIF	<p>Owner and annuitant must always be the same person</p> <p>Owner and annuitant is the spouse who is not the contributor</p> <p>Note: Withdrawals will be tax reported to the owner/annuitant, although tax liability may belong to the contributor spouse</p>	<p>The spouse who makes the contributions and is tax receipted for those contributions</p> <p>Note: The spousal contributor has no ownership rights</p>	<ul style="list-style-type: none"> ■ Typically the spouse (the spousal contributor), although it can be whomever the owner wishes to name other than himself or herself ■ If a minor is named, the owner may wish to appoint a trustee so that payment can be made right away on death (not applicable in Quebec – refer to “Trusts for minor/disabled beneficiaries” on page 27 for more information) ■ If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife’s position that a person acting in a representative capacity may not have the authority to decide to whom the death benefit should be payable. Refer to “Insurance and persons acting in a representative capacity (powers of attorney)” on page 23 for a detailed explanation
Locked-in RRSP LIRA, RLSP, LIF, LRIF, RLIF, PRIF	Owner and annuitant must always be the same person	Not applicable	<ul style="list-style-type: none"> ■ Should be someone other than the owner <p>Note: The owner can name whomever he or she wishes; however if there is a spouse (as defined in the applicable pension legislation) at the time of death, then the death benefit is usually required to be paid to the spouse</p> <ul style="list-style-type: none"> ■ If a minor is named, the owner may wish to appoint a trustee so that payment can be made promptly on death. (Not applicable in Quebec – refer to “Trusts for minor/disabled beneficiaries” on page 27 for more information) ■ If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife’s position that a person acting in a representative capacity may not have the authority to decide to whom the death benefit should be payable. Refer to “Insurance and persons acting in a representative capacity (powers of attorney)” on page 23 for a detailed explanation

*For Joint Life Payout Option situations, refer to charts on pages 66-67

SUCCESSOR OWNER	SIGNATURES REQUIRED ON APPLICATION	ADDITIONAL REQUIREMENTS
<ul style="list-style-type: none"> ■ Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary ■ If the spouse is named as the sole beneficiary of the RRIF contract he or she may automatically become owner of the contract. Refer to “Spousal election to rollover” – RRIF and TFSA contracts on page 8 for more details ■ Some RRIF contracts permit a spouse to be named as successor annuitant. In this case, the spouse will also become the successor owner. Refer to “Successor Annuitant” – Registered contracts on page 10 for more details 	<p>Owner/annuitant (or attorney, committee, curator, tutor or guardian on behalf of the owner/annuitant)</p>	<ul style="list-style-type: none"> ■ If someone is signing on the owner’s behalf, a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner’s will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary
<ul style="list-style-type: none"> ■ Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary ■ If the spouse is named as the sole beneficiary of the RRIF contract he or she may automatically become owner of the contract. Refer to “Spousal election to rollover” – RRIF and TFSA contracts on page 8 for more details ■ Some RRIF contracts permit a spouse to be named as successor annuitant. In this case, the spouse will also become the successor owner. Refer to “Successor Annuitant” – Registered contracts on page 10 for more details 	<p>Owner/annuitant (or attorney, committee curator, tutor or guardian on the owner/annuitant’s behalf)</p>	<ul style="list-style-type: none"> ■ If someone is signing on the owner’s behalf, a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner’s will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary
<ul style="list-style-type: none"> ■ Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the spouse or named beneficiary ■ If the spouse is named as the sole beneficiary of the LIF, LRIF, RLIF or PRIF contract, he or she may automatically become owner of the contract. Refer to “Spousal election to rollover” – RRIF and TFSA contracts on page 8 for more details ■ Some LIF, LRIF, RLIF or PRIF contracts permit a spouse to be named as successor annuitant. In this case, the spouse will also become the successor owner. Refer to “Successor Annuitant” – Registered contracts on page 10 for more details 	<p>Owner/annuitant (or attorney, committee curator, tutor or guardian on the owner/annuitant’s behalf)</p>	<ul style="list-style-type: none"> ■ Locking-in instructions from the previous carrier or pension plan ■ Spousal consent or waiver is usually needed for a LIF, LRIF or PRIF ■ See also “Individual additional requirements” above

Registered annuity contract applications (cont'd)*

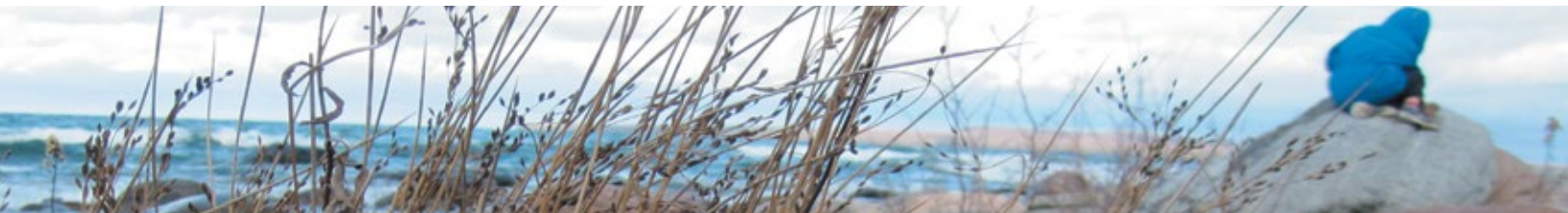
RRSP/RRIF/ANNUITY/TFSA

PLAN TYPE	OWNER AND ANNUITANT	SPOUSAL CONTRIBUTOR	BENEFICIARY
TFSA	Owner and annuitant must always be the same person	Not applicable	<ul style="list-style-type: none"> ■ Whomever the owner wishes to name however; it should not be himself or herself ■ If a minor is named, the owner may wish to appoint a trustee so that payment can be made promptly on death. (Not applicable in Quebec – refer to “Trusts for minor/disabled beneficiaries” on page 27 for more information) ■ If someone is signing on behalf of the owner under a power of attorney or committee, curatorship or guardianship order or as tutor, it is Manulife’s position that a person acting in a representative capacity may not have the authority to decide to whom the death benefit should be payable. Refer to “Insurance and persons acting in a representative capacity (powers of attorney)” on page 23 for a detailed explanation

*For Joint Life Payout Option situations, refer to charts on pages 66-67



SUCCESSOR OWNER	SIGNATURES REQUIRED ON APPLICATION	ADDITIONAL REQUIREMENTS
<ul style="list-style-type: none"> ■ If the spouse is named as the sole beneficiary of the TFSA contract he or she may automatically become owner of the contract. Refer to “Spousal election to rollover” – RRIF and TFSA contracts on page 8 for more details 	<p>Owner/annuitant (or attorney, committee, curator, tutor or guardian on behalf of the owner/annuitant)</p>	<ul style="list-style-type: none"> ■ If someone is signing on the owner’s behalf, a copy of power of attorney, committee, curatorship or guardianship order, or proof of tutorship is required (a power of attorney for banking or personal care is not sufficient) ■ Copy of the owner’s will if an attorney, committee, curator, tutor or guardian is designating a named beneficiary



Non-registered contract set-ups using successor annuitant*

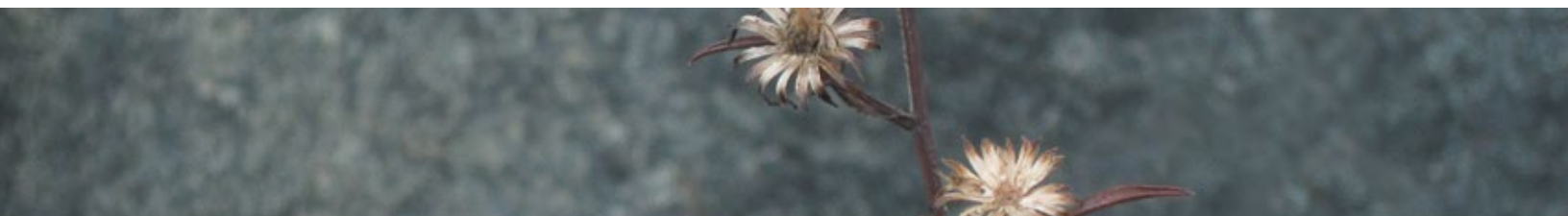
SINGLE OWNER

OWNER	ANNUITANT	SUCCESSOR ANNUITANT	SUCCESSOR OWNER	BENEFICIARY
Single owner who is also the annuitant	Owner	None named	N/A	Spouse
Single owner who is also the annuitant	Owner	Spouse	None named	Child
Single owner who is also the annuitant	Owner	Spouse	Spouse	Child
Single owner who is different from the annuitant	Child	Spouse	Spouse	Owner

*For Joint Life Payout Option situations, refer to charts on pages 64-65



RESULTS ON DEATH OF ANNUITANT OR OWNER	ISSUES
<ul style="list-style-type: none"> ■ If the annuitant/owner dies, the contract ends and the proceeds are paid to the spouse, unless the contract allows, and the spouse elects to continue the contract as owner and annuitant at the time of notification of death (refer to “Spousal election to rollover” on page 8 for more information) 💰 Taxable disposition if the spouse does not continue the contract. Tax slips would be issued to the owner and any gain would be taxable on his or her final tax return. If the spouse elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost. 	<p>If the spouse elects to continue the contract as owner and annuitant, the death benefit guarantee will not apply until his or her death and any withdrawal of funds will be subject to charges, if applicable</p>
<ul style="list-style-type: none"> ■ If the annuitant/owner dies, the contract continues and the spouse becomes the new annuitant. Since a successor owner was not named, ownership of the contract is assumed by the owner’s estate. The child remains the beneficiary unless changed by the new owner 💰 Taxable disposition. Tax slips would be issued to the owner and any gain may be taxable on his or her final tax return, depending on his or her estate distribution. 	<p>The death benefit guarantee will not apply on the death of the annuitant/owner. Since a successor owner was not named, probate may be required. Any withdrawal of funds by the successor owner will be subject to charges, if applicable</p>
<ul style="list-style-type: none"> ■ If the annuitant/owner dies, the contract continues and the spouse becomes the new annuitant. Since the spouse is also named as successor owner, he or she assumes ownership of the contract. The child remains the beneficiary unless changed by the new owner 💰 Not a taxable disposition, ownership of the investment transfers at cost. 	<p>The death benefit guarantee will not apply on the death of the annuitant/owner. Any withdrawal of funds by the successor owner will be subject to charges, if applicable</p>
<ul style="list-style-type: none"> ■ If the annuitant dies, the contract continues and the spouse becomes the new annuitant. The spouse does not assume ownership of the contract because the owner is still alive 💰 Not a taxable disposition. ■ If the owner of the contract dies before the annuitant, the annuitant stays the same and the spouse becomes the new owner 💰 Not a taxable disposition, ownership of the investment transfers at cost. ■ If both the original annuitant and the owner die, the spouse becomes the new owner and annuitant 💰 Not a taxable disposition, ownership of the investment transfers at cost. 	<p>The death benefit guarantee will not apply on the death of the owner or on the death of either of the child or the spouse, but rather only on the death of both the spouse and the child. Any withdrawal of funds by the successor owner will be subject to charges, if applicable</p>



Non-registered contract set-ups using successor annuitant*

MULTIPLE OWNERS

OWNER	ANNUITANT	SUCCESSOR ANNUITANT	SUCCESSOR OWNER	BENEFICIARY
Multiple owners¹ (husband and wife) where one owner is named as the annuitant and ownership is held jointly with right of survivorship²	Husband	None named	None should be named	Wife
Multiple owners¹ (husband and wife) where one owner is named as the annuitant and one as successor annuitant and ownership is held jointly with right of survivorship²	Husband	Wife	None should be named as the surviving owner is automatically the successor owner	Children
Multiple owners¹ (husband and wife) where neither of the owners is the annuitant and ownership is held jointly with right of survivorship²	Child	None named	None named (note: a successor owner designation on this type of contract set-up would need to specify that it only comes into effect if both owners predecease the annuitant)	Husband and wife
Multiple owners¹ (brother and sister) where one of the owners is the annuitant and ownership is held tenants in common³	Brother	None named	Sister's spouse in the event of her death for her share	Brother's spouse for his share; sister for her share

¹ The Civil Code of Quebec does not recognize either joint ownership with rights of survivorship or tenants in common. In Quebec subrogated policyholders may be appointed to achieve a result similar to joint ownership with rights of survivorship. If no subrogated policyholder is named, the effect of the law in Quebec is similar to a tenants in common arrangement

² When owners are spouses the Income Tax Act (Canada) requires the investment to be taxed in proportion to each spouse's financial contribution. It is up to the owners of the contract to track each party's financial contribution to the contract and to file the tax slips accordingly


³ Unless indicated otherwise, each owner has an equal share. In these examples, each owner would own 50 per cent of the contract

*For Joint Life Payout Option situations, refer to charts on pages 64-65

RESULTS ON DEATH OF ANNUITANT OR OWNER	ISSUES
<ul style="list-style-type: none"> ■ If the annuitant/owner (husband) dies before the non-annuitant/owner (wife), the contract ends and the proceeds are paid to the wife as beneficiary, unless the contract allows, and the spouse elects to continue the contract as owner and annuitant at the time of notification of death (refer to "Spousal election to rollover" on page 8 for more information) 💰 Taxable disposition if the wife does not continue the contract. Tax slips would be issued to the husband and wife. The husband's gain would be taxable on his final tax return and the wife's gain would be taxable on her tax return. If the wife elects to continue the contract, it is not a taxable disposition and ownership of the investment transfers at cost. ■ If the non-annuitant/owner (wife) dies before the annuitant/owner (husband), the contract continues and the wife's share is assumed by the husband, as joint owner 💰 Not a taxable disposition, ownership of investment transfers at cost. 	<p>The choice of annuitant is important because the death benefit guarantee will only apply on his or her death. If the wife elects to continue the contract as owner and annuitant, the death benefit guarantee will not apply until her death and any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If the husband dies first, the wife becomes the annuitant and assumes full ownership of the contract 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ If the wife dies first, the contract continues and the husband assumes full ownership of the contract 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ The children remain as beneficiaries unless otherwise changed 	<p>The death benefit guarantee will not apply until the last of the husband and wife dies. Any withdrawal of funds by the husband or wife will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If either owner dies, ownership of his or her share is assumed by the remaining joint owner 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ If the annuitant dies, the contract ends and the proceeds are paid to the surviving owner(s) as beneficiary(ies) 💰 Taxable disposition. Tax slips would be issued to the husband and wife. Any gain would be taxable on the husband's and wife's tax returns. 	<p>The death benefit guarantee will not apply on the death of the husband or wife, but rather only upon the death of the child. Any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If the brother dies first, the contract ends and the proceeds are paid to the brother's spouse and the sister 💰 Taxable disposition. Tax slips would be issued to the brother and sister. Any gain would be taxable on the brother's final tax return and the sister's tax return. ■ If the sister dies first, the contract continues and ownership of the sister's share of the contract is assumed by her spouse. The brother retains ownership of his share 💰 Not a taxable disposition, ownership of investment transfers at cost. 	<p>The choice of annuitant is important because the death benefit guarantee will only apply on his or her death. Any withdrawal of funds will be subject to charges, if applicable.</p>

Non-registered contract set-ups using successor annuitant (cont'd)*

MULTIPLE OWNERS

OWNER	ANNUITANT	SUCCESSOR ANNUITANT	SUCCESSOR OWNER	BENEFICIARY
Multiple owners¹ (brother and sister) where one of the owners is the annuitant, one is named successor annuitant and ownership is held tenants in common²	Brother	Sister	Brother's spouse in the event of his death for his share; sister's spouse in the event of her death for her share	Brother's spouse for his share; sister's spouse for her share
Multiple owners¹ (brother and sister) where neither of the owners is the annuitant and ownership is held tenants in common²	Child	None named	Brother's spouse for his share; sister's spouse for her share	Brother for his share; sister for her share
Multiple owners  (husband and wife) where one is named as annuitant and one is named as successor annuitant ^{2,3}	Husband	Wife	Husband names his wife as the subrogated policyholder for his portion and wife names her husband as the subrogated policyholder for her portion	Children

¹ The Civil Code of Quebec does not recognize either joint ownership with rights of survivorship or tenants in common. In Quebec subrogated policyholders may be appointed to achieve a result similar to joint ownership with rights of survivorship. If no subrogated policyholder is named, the effect of the law in Quebec is similar to a tenants in common arrangement

² Unless indicated otherwise, each owner has an equal share. In these examples, each owner would own 50 per cent of the contract

³ When owners are spouses the Income Tax Act (Canada) requires the investment to be taxed in proportion to each spouse's financial contribution. It is up to the owners of the contract to track each party's financial contribution to the contract and to file the tax slips accordingly

*For Joint Life Payout Option situations, refer to charts on pages 64-65



RESULTS ON DEATH OF ANNUITANT OR OWNER	ISSUES
<ul style="list-style-type: none"> ■ If the annuitant (brother) dies first, the sister becomes the new annuitant. The deceased brother's spouse assumes ownership of his share of the contract and the sister retains her share <ul style="list-style-type: none"> 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ If the sister dies first, the contract continues and the sister's share is assumed by her spouse. The brother retains ownership of his share <ul style="list-style-type: none"> 💰 Not a taxable disposition, ownership of investment transfers at cost. 	<p>The death benefit guarantee will not apply until the death of both the brother and sister. Any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ When the annuitant dies, the contract ends and the proceeds are paid to the owners as beneficiaries <ul style="list-style-type: none"> 💰 Taxable disposition. Tax slips would be issued to the brother and sister. Any gain would be taxable on their tax returns. ■ If either of the owners dies, the contract continues and ownership of the deceased owner's share is assumed by his or her respective spouse as successor owner <ul style="list-style-type: none"> 💰 Not a taxable disposition, ownership of investment transfers at cost. 	<p>The death benefit guarantee will not apply on the death of the brother or sister, but rather only on the death of the child. Any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If the husband dies first, the wife becomes the annuitant and assumes full ownership of the contract <ul style="list-style-type: none"> 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ If the wife dies first, the contract continues and the husband assumes full ownership of the contract <ul style="list-style-type: none"> 💰 Not a taxable disposition, ownership of investment transfers at cost. ■ Because of uncertainty in the Civil Code of Quebec between the effect of assignment versus a subrogated policyholder, filing a new beneficiary designation is recommended (assuming the original beneficiary designation is revocable) ■ This set-up achieves similar effect to "Joint with Right of Survivorship" in other provinces (Note: If an owner does not name a subrogated policyholder then on that owner's death his or her estate would own 50 per cent of the contract and the surviving spouse would continue to own 50 per cent of the contract) 	<p>The death benefit guarantee will not apply until the last of the husband and wife dies. Any withdrawal of funds by the husband or wife will be subject to charges, if applicable.</p>



Non-registered contract set-ups using successor annuitant*


NON-PERSONAL OWNERS

OWNER	ANNUITANT	SUCCESSOR ANNUITANT	SUCCESSOR OWNER	BENEFICIARY
Corporation no successor annuitant designated	Officer of the corporation	None named	Not applicable – the corporation cannot die	The corporation
Corporation successor annuitant designated	Officer of the corporation	Second officer of the corporation	Not applicable – the corporation cannot die	The corporation
Non-incorporated organization (e.g., church, charity, association or non-profit organization) no successor annuitant designated	Board member	None named	Not applicable – the organization cannot die	The organization
Non-incorporated organization (e.g., church, charity, association or non-profit organization) successor annuitant designated	Board member	Second board member	Not applicable – the organization cannot die	The organization
Trust/estate	Usually the trust/estate beneficiary or the settlor – depending on the terms of the trust or will.	May or may not be appropriate	Not applicable – the trust/estate cannot die	Normally the trust/estate. May be named individuals if in accordance with the trust agreement or will.

*For Joint Life Payout Option situations, refer to charts on pages 64-65

RESULTS ON DEATH OF ANNUITANT OR OWNER	ISSUES
<ul style="list-style-type: none"> ■ If the annuitant dies, the contract ends and the proceeds are paid back to the corporation as the beneficiary 💰 Taxable disposition. 	<p>The death of the annuitant will result in a taxable disposition. If the corporation would prefer to avoid the taxable disposition and have the investment continue then a successor annuitant should be named. However, on the death of the annuitant any withdrawal of funds will be subject to charges, if applicable. If the corporation will need the funds on the death of the annuitant and wants the death benefit guarantee to apply (i.e., because of a wind-up), a successor annuitant should not be named.</p>
<ul style="list-style-type: none"> ■ If the annuitant dies, the contract continues and the successor annuitant becomes the new annuitant on the contract 💰 Not a taxable disposition. 	<p>The death benefit guarantee will not apply on the death of the annuitant of the corporation, nor will it trigger a taxable disposition. On the death of the annuitant any withdrawal of funds will be subject to charges, if applicable. If the corporation will need the funds on the death of the annuitant and wants the death benefit guarantee to apply (i.e., because of a wind-up), a successor annuitant should not be named.</p>
<ul style="list-style-type: none"> ■ If the annuitant dies, the contract ends and the proceeds are paid back to the organization as the beneficiary 💰 Taxable disposition. 	<p>The death of the annuitant will result in a taxable disposition. If the owner would prefer to avoid the taxable disposition and have the investment continue then a successor annuitant should be named. However, any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If the annuitant dies, the contract continues and the successor annuitant becomes the new annuitant on the contract 💰 Not a taxable disposition. 	<p>The death benefit guarantee will not apply on the death of the board member, nor will it trigger a taxable disposition. However, any withdrawal of funds will be subject to charges, if applicable.</p>
<ul style="list-style-type: none"> ■ If the annuitant dies and no successor annuitant is named, the contract ends and the proceeds are paid back to the trust/estate or to the named individuals as the beneficiary(ies) 💰 Taxable disposition. ■ If the annuitant dies and a successor annuitant is named, the contract continues and the successor annuitant becomes the new annuitant on the contract. 💰 Not a taxable disposition. 	<p>It is important that the contract provisions be consistent with the terms of the will or trust. All trust/estate-owned contracts must be reviewed by Manulife. We can help you determine if a successor annuitant designation is appropriate.</p>

Non-registered contract set-ups using the Joint Life Payout Option

OWNER	ANNUITANT	JOINT LIFE	SUCCESSOR OWNER	BENEFICIARY
Single owner who is also the annuitant	Owner	Spouse	None named	Child
Single owner who is also the annuitant	Owner	Spouse	Spouse	Child
Single owner who is different from the annuitant	Child	Spouse of Child	Child if living, otherwise Spouse of Child	Owner
Non-Personal Owners (Corporation, estate, trust, non-incorporated organization)	Annuitant Typically: <ul style="list-style-type: none"> ■ officer of the corporation ■ board member, or ■ the trust beneficiary, or the settlor depending on the terms of the trust 	Annuitant's Spouse	Do not name since non-personal owners will never die	Typically the beneficiary will be the owner See Page 50 and 62 – Non-Personal Owners for more information
Multiple owners¹ (husband and wife) ownership is held jointly with right of survivorship²	Husband	Wife	None should be named as the surviving owner is automatically the successor owner	Child
Multiple owners  (husband and wife) where one is named as annuitant and one is named as Joint Life ^{2,3}	Husband	Wife	Husband names his wife as subrogated policyholder for his portion and wife names her husband as subrogated policyholder for her portion	Child

¹ The Civil Code of Quebec does not recognize either joint ownership with rights of survivorship or tenants in common. In Quebec subrogated policyholders may be appointed to achieve a result similar to joint ownership with rights of survivorship. If no subrogated policyholder is named, the effect of the law in Quebec is similar to a tenants in common arrangement

² When owners are spouses the Income Tax Act (Canada) requires the investment to be taxed in proportion to each spouse's financial contribution. It is up to the owners of the contract to track each party's financial contribution to the contract and to file the tax slips accordingly

³ Unless indicated otherwise, each owner has an equal share. In these examples, each owner would own 50 per cent of the contract

⁴ If the owner is either the annuitant or the Joint Life, the surviving spouse will become the owner of the contract, unless otherwise designated

RESULTS ON DEATH

- If the owner/annuitant dies, the spouse would continue the contract as owner and Joint Life at the time of notification of death⁴
 - 💰 Not a taxable disposition, ownership of the investment transfers at cost.
 - The children remain as beneficiaries unless otherwise changed
- If the owner/annuitant dies, the spouse would continue the contract as owner and Joint Life at the time of notification of death
 - 💰 Not a taxable disposition, ownership of the investment transfers at cost.
 - The children remain as beneficiaries unless otherwise changed
- If the child dies, the contract continues with the child's spouse as Joint Life. The child's spouse does not assume ownership of the contract because the owner is still alive
 - 💰 Not a taxable disposition.
 - If the owner of the contract dies before the child or child's spouse, the annuitant and Joint Life stay the same and the child becomes the new owner
 - 💰 Taxable disposition. Tax slips would be issued to the owner and any gain would be taxable on his or her final tax return.
 - If both the child and the owner die, the child's spouse becomes the new owner and continues the contract as Joint Life
 - 💰 Taxable disposition. Tax slips would be issued to the owner and any gain would be taxable on his or her final tax return.
 - If both the child's spouse and the owner die, the child becomes the new owner and continues the contract as annuitant
 - 💰 Taxable disposition. Tax slips would be issued to the owner and any gain would be taxable on his or her final tax return.
- If either the annuitant or Joint Life dies, the contract continues with either the annuitant or Joint Life remaining as the measuring life on the contract
 - 💰 Not a taxable disposition.
 - Upon the death of the last surviving annuitant or Joint Life the contract will end and the death benefit would be paid to the beneficiary
 - 💰 Taxable disposition. Tax slips would be issued to the owner.
- If the husband dies first, the wife as Joint Life assumes full ownership of the contract
 - 💰 Not a taxable disposition, ownership of investment transfers at cost.
- If the wife dies before the husband, the contract continues and the husband assumes full ownership of the contract
 - 💰 Not a taxable disposition, ownership of investment transfers at cost.
 - The children remain as beneficiaries unless otherwise changed
- If the husband dies first, the wife as Joint Life assumes full ownership of the contract
 - 💰 Not a taxable disposition, ownership of investment transfers at cost.
- If the wife dies before the husband, the contract continues and the husband assumes full ownership of the contract
 - 💰 Not a taxable disposition, ownership of investment transfers at cost.
- Because of uncertainty in the Civil Code of Quebec between the effect of assignment versus a subrogated policyholder, filing a new beneficiary designation is recommended (assuming the original beneficiary designation is revocable)
- This set-up achieves similar effect to "Joint with Right of Survivorship" in other provinces (Note: If an owner does not name a subrogated policyholder then on that owner's death his or her estate would own 50 per cent of the contract and the surviving spouse would continue to own 50 per cent of the contract)

Registered contract set-ups using the Joint Life Payout Option

RRSP/RRIF/ANNUITY

PLAN TYPE	OWNER ¹	ANNUITANT	JOINT LIFE	SUCCESSOR OWNER	BENEFICIARY
RRSP	Husband	Husband	Wife	Do not name a successor owner since upon the death of the owner/annuitant the contract terminates and the proceeds are paid to the named beneficiary.	Wife For RRSPs with the Joint Life Payout Option, the husband must name the wife as the Joint Life, and sole beneficiary.
RRIF ON FIRST DEATH	Husband	Husband	Wife	Do not name a successor owner since upon the death of the owner/annuitant the contract will continue and the wife will automatically become owner of the contract and assume all contractual rights.	Whomever the owner wishes to name
RRIF ON DEATH OF LAST SPOUSE	Husband	Husband	Wife	Do not name a successor owner since upon the death of the owner/annuitant the contract will continue and the wife will automatically become owner of the contract and assume all contractual rights.	Financially dependent child or grandchild less than 18 years old
	Husband	Husband	Wife	Do not name a successor owner since upon the death of the owner/annuitant the contract will continue and the wife will automatically become owner of the contract and assume all contractual rights.	Financially dependent child or grandchild by reason of physical or mental infirmity
	Husband	Husband	Wife	Do not name a successor owner since upon the death of the owner/annuitant the contract will continue and the wife will automatically become owner of the contract and assume all contractual rights.	Anyone other than a spouse or financially dependent child or grandchild

¹ Owner and annuitant must always be the same person

RESULTS ON DEATH

- If the husband dies the contract ends and the proceeds are paid to the wife. The wife will have the option to receive the death benefit for the contract, or continue the guaranteed income and contractual benefits in a new RRSP or RRIF
 - 💰 The wife may elect to transfer the entire amount to her RRSP, RRIF or qualifying annuity. The transferred amount will not be included in the husband's income at the time of death; the wife would receive a tax slip and then be able to claim a corresponding deduction. Otherwise, tax slips would be issued to the husband for the value at date of death. If the wife elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to her RRSP, RRIF or qualifying annuity.

- If the husband dies the wife will continue the contract as owner and continue the original RRIF payments
 - 💰 Tax slips would be issued to the husband for amounts paid up to the date of death. The wife would receive tax slips for amounts paid after the date of death.

- On the death of the last spouse the contract ends and the proceeds are paid to the trustee of the child or grandchild. Where a trustee has not been appointed, the proceeds would be paid into court, to a public trustee, or to a court appointed guardian if the beneficiary's province of residence does not recognize a parent as having the authority to act on behalf of a minor child's property
 - 💰 Tax slips would be issued to the last spouse to die for the value at date of death. If the child's legal representative elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to a term certain annuity to age 18.

- On the death of the last spouse the contract ends and the proceeds are paid to the child or grandchild. If the child or grandchild is mentally incapacitated, the proceeds are paid to a trustee, if named. Where a trustee has not been appointed, the proceeds would be paid into court, to a public trustee, or to a court appointed guardian
 - 💰 Tax slips would be issued to the last spouse to die for the value at date of death. If the child's legal representative elects, a tax-deferred rollover is available for part or all of the death proceeds contributed to an RRSP, RRIF or qualifying annuity.

- On the death of the last spouse the contract ends and the proceeds are paid to the beneficiary
 - 💰 Tax slips would be issued to the last spouse to die for the value at date of death which would be fully taxable on his or her final tax return. The beneficiary may receive a tax slip for income earned between the date of death and the settlement date.

Glossary of Key Terms

The following are technical terms that are found in this guide. To save you time, we have provided you with this simple glossary for your convenience.

Annuitant

The annuitant is the measuring life of the contract. Unless a successor annuitant or Joint Life is named and living, the contract terminates upon the death of the annuitant. The annuitant can be the owner or whomever the owner designates.

Annuity

An individual contract of life insurance that provides for a fixed sum to be payable at specified intervals over a chosen period (such as the Annuitant's lifetime) in return for the premium (deposit) paid.

Beneficiary

The beneficiary is the designated individual or entity who will receive the death benefit upon the death of the last surviving annuitant or the death of the survivor of the annuitant and Joint Life if applicable. The owner may change or revoke the beneficiary. However, if the beneficiary is irrevocable the owner may only change or revoke the beneficiary with the beneficiary's consent.

Death Benefit

The amount that is payable to the beneficiary(ies) upon the death of the last surviving annuitant or until the later of the death of the annuitant and the Joint Life. For segregated fund contracts, the death benefit is equal to the greater of the death benefit guarantee and the market value.

Death Benefit Guarantee

The guaranteed minimum amount that is payable upon the death of the last surviving annuitant or until the later of the death of the annuitant and the Joint Life. Applicable to segregated fund contracts.

Family Class Beneficiary

In provinces other than Quebec, a family class beneficiary would be any of the spouse, child, grandchild or parent of the annuitant. In Quebec, a family class beneficiary would be any of the spouse, descendants and ascendants of the owner.

Guaranteed Interest Contract

An individual contract of life insurance that provides investment options with guaranteed interest terms.

Holograph Will

This is a handwritten will that is signed only by the testator. A typed will or fill-in-the-blanks will does not qualify as a holograph will. Holograph wills can be problematic if the instructions are not absolutely clear. Furthermore, some provinces don't recognize holograph wills or have different signing requirements. One must be careful with this type of will.

Income Tax Act

This refers to the *Income Tax Act* (Canada) as of the date of publication, unless otherwise stated.



Insurance Investment Contract

This term collectively refers to segregated fund contracts, guaranteed interest contracts (insurance GICs) and annuities.

Irrevocable Beneficiary

A beneficiary designated by the owner who cannot be removed as beneficiary without his or her consent. With an irrevocable beneficiary designation, the owner's rights will be restricted. Among other things, the owner will not be able to change the beneficiary designation, change the owner, assign the contract as collateral for a loan, make a withdrawal or surrender the contract without the irrevocable beneficiary's consent.

Joint Life

The person whose life is used in the Joint Life Payout Option calculation. The Joint Life must be the Annuitant's spouse as defined by the *Income Tax Act* (Canada) at the time of election of the Joint Life Payout Option. Only one person can be named as the Joint Life and may not be changed.

Joint Life Payout Option

For Joint Life Payout Option contracts it is a guaranteed income stream based on the lives of the Annuitant and the Joint Life.

Maturity Guarantee

The guaranteed minimum amount that is payable on the contract maturity date. Applicable to segregated fund contracts.

Natural person

A human being.

Notarial Will (Quebec)

A will made before a notary, en minute, in the presence of a witness or, in certain cases, two witnesses. The notary keeps the original and files a report with a central registrar.

Non-Personal Owners

Owners that are not human beings; for example, corporations, trusts, charities and non-incorporated organizations.

Owner

The owner is the individual or entity that is the legal owner of the contract.

Segregated Fund Contract

An individual contract of life insurance which provides certain contractual rights and benefits, the value of which may vary in amount depending upon the market value of the group of assets (segregated fund) the premium (deposit) is allocated to, by the contractholder.



Glossary of Key Terms (cont'd)

Settlor

The settlor is the individual who creates the trust by contributing property to it, and also establishes the terms of the trust in the trust document.

Spouse

Someone married to the other person; may or may not include a common-law or same sex partner depending on the applicable legislation.

Successor Annuitant

If available, the owner may appoint a successor annuitant. In the event of the primary annuitant's death, the contract continues and the successor annuitant becomes the primary annuitant provided that the successor annuitant is living. The appointment of a successor annuitant must be made prior to the death of the primary annuitant. A previously appointed successor annuitant can be changed or removed by the owner at any time prior to the primary annuitant's death.

Successor Owner

If applicable, the owner may appoint a successor owner or successor owners. In the event of the owner's death, ownership of the contract will transfer to the successor owner(s) unless the owner was the sole annuitant, in which case the contract ends and the death benefit is paid to the beneficiary(ies). In Quebec, a successor owner is known as the subrogated policyholder.

Testamentary Disposition

A testamentary disposition is a disposition of property that arises on, and as a consequence of, the death of the grantor (the person who is transferring the property).

Testator

The person making the Will.

Top-up

For Manulife segregated fund contracts, if the maturity guarantee or death benefit guarantee is greater than the market value at maturity or death, respectively, Manulife will deposit the difference into the contract. This deposit is referred to as a "top-up".

Unscheduled Withdrawal

This is a one-time withdrawal over and above any scheduled withdrawals.







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