THE JOURNAL

solid group plans made simple

DESIGNATING YOUR BENEFICIARY(S)

When an employee becomes a new plan member of a group benefits plan, they first must complete an application form (our one time, generic application form for third party administration clients can be found on our website: ***Application for Group Coverage***). When applying for insurances such as life insurance and accidental death & disablement (AD&D), as well as group retirement and savings plans, it is necessary for the plan member to designate their beneficiary(s), who would receive the plans' proceeds in case of their death.

Considerations in determining the beneficiary(s) often depend on factors such as family, age, financial obligations, and how the applicant feels about charitable giving. Of course, the reasons in choosing the beneficiary(s) today may change over time – mortgage is paid, dependent children have grown, no longer any financial debt. Or reasons may differ because something in the plan member's life changes with an "event" – a marriage, a divorce, birth of a new child, death of a dependent. It is therefore important for plan members to have the opportunity to review their beneficiary(s) on a regular basis to ensure their intentions are still current.

Group Insurance Plans

Most group insurance plans include life insurance and accidental death and disablement (AD&D) insurance for employees, and optional insurance for employees, their spouse, and dependent children. When a plan member designates a beneficiary on the enrolment form, they are telling the insurer(s) the intended recipient(s) for proceeds of their group life insurance and AD&D insurance, in case of accidental death. Beneficiaries can be one or more persons, or a charitable organization, to receive proceeds outside of the employee's estate, free of taxes and estate liabilities.

Contingent Beneficiaries

Plan members are encouraged to designate a contingent, or secondary, beneficiary in case your primary beneficiary pre-deceases or dies at the same time as you. By designating one or more contingent beneficiaries, the insurance proceeds would be payable to these recipients directly, free from estate taxes or liabilities.

THE JOHNSTONE'S ADVANTAGE

Our mission is simple: **Treat each client as if they were our only client**.

Our value is clear: **We are completely independent**. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization and flexibility to meet all of your company's benefits needs. And we make **solid group plans simple**.

Children as Beneficiaries

If the plan member names as their beneficiary a child, under the provincial age of majority, it is recommended that they also set up a trust and designate a trustee (or administrator), who can hold and use the proceeds of the insurance in trust on behalf of the minor beneficiary. In Quebec, proceeds must be paid to the child's parent(s) or legal guardian(s), and not to another trustee. If a trustee is not named for a child beneficiary, the death benefit, plus any interest it earns, will be held in trust by the province or territory, and will be paid out when the beneficiary reaches age of majority.

Naming Your Estate as Beneficiary

If the plan member chooses to name their estate as beneficiary, plan proceeds will become part of the person's estate, and will be distributed according to the terms of their current will. Funds will be subject to taxes and creditor claims as part of the settlement of the estate.

Beneficiary Legislation

In provinces other than in Quebec, as well as all territories, appointing a beneficiary is "revocable", which means the plan member can change their beneficiary(s) at any time. If another agreement, such as a divorce agreement, designates the beneficiary as "irrevocable", that beneficiary must consent to any change.

In Quebec, if the plan member has a spouse, legal or common-law, their beneficiary designation is considered "irrevocable", (unless specifically stated otherwise at time of appointment), which means it can only be changed with the spouse's consent.

Retirement and Savings Plans

For many of us, funds in our RRSPs (registered retirement savings plans) and TFSAs (tax-free savings accounts) are two of our larger asset sources. It is important to protect these funds. At time of death, the fair market values of these plans are treated as income, and will be subject to tax at their marginal tax rate, other income, and province of residence.

For RRSPs and TFSAs, the plan member can name a "qualified" beneficiary, so fund balances can be transferred with no tax implications or liabilities. A qualified beneficiary includes:

- Spouse
- Common-law partner
- Financially dependent child or grandchild under the age of 18, or who is dependent because of a physical or mental infirmity.

If the plan member designates a "non-qualified" beneficiary, that person would receive the full balance of the RRSP and/or TFSA, however the plan member's estate would be subject to the tax.

Employment Insurance Benefits 2021

The maximum insurable earnings will increase from $54,200 to $56,300 effective January 1, 2021. This means that the current maximum per week, calculated at 55%, will increase from $573 to $595, for 2021.

The employee EI premium rate will remain at $1.58 per $100.

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JOHNSTONE'S JOURNAL is published monthly and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies and share with your employees.