Manulife Investment Management

# Joint ownership: pros, cons, and alternatives

Investors looking for an efficient, cost-effective, and quick way to transfer assets to an heir or beneficiary often place assets into joint ownership with right of survivorship.[1]

On the surface, this looks like a great way to transfer wealth. Placing nonregistered assets into joint ownership is one of the most common attempts to avoid probate, and it may be effective in the right situation. The catch? There can be significant disadvantages with joint ownership that outweigh the benefits. In particular, joint ownership with adult children often misses the mark. Parents think they're setting up an easy way to transfer assets, but they may end up causing problems with that transition both during their lifetime and when they pass. Alternatively, a resulting trust may be set up to apply, which means the asset flows through the deceased's estate and is distributed according to their will and may be subject to probate, if applicable.

Fortunately, there are other options available that help avoid the risks of joint ownership and provide additional benefits as well.

The chart below offers a high-level view of advantages and disadvantages when using joint ownership as a wealth transfer strategy. It also shows how naming a beneficiary or successor owner with a segregated fund contract or insurance guaranteed interest account (GIA) can achieve the same advantages—and more—without the liabilities and risks.

| **Joint ownership** | | **Segregated fund contract and insurance GIA alternative** | |
|---|---|---|---|
| **Advantages** | | **Advantages** | |
| ✓ | On death, often avoids deceased owner's estate and probate when surviving joint owner is the spouse | ✓ | On death, often avoids deceased owner's estate and probate |
| ✓ | Tax-deferred transfer to spouse | ✓ | Tax-deferred transfer to successor owner spouse[2] |
| **Disadvantages** | | ✓ | Potential for creditor protection both during life and on death |
| ✗ | Taxable disposition with non-spouse | ✓ | Easy, free, and not a taxable event to change a beneficiary |
| ✗ | Adding a spouse or minor child will result in income and/or capital gains attribution | ✓ | Flexibility in structuring beneficiary payouts, such as gradual distributions to minor or spendthrift beneficiaries |
| ✗ | Loss of control | ✓ | Maintain control |
| ✗ | Exposed to creditors of new owners | ✓ | Capital guarantees on maturity and death |
| ✗ | May jeopardize principal residence exemption or Home Buyers Plan | | **Segregated fund contracts and insurance GIAs can help investors avoid some of the pitfalls of joint ownership.** |
| ✗ | Potential litigation—joint ownership with adult children is subject to the presumption of resulting trust | | |
| ✗ | Probate applies where the beneficial interest isn't transferred | | |

1 All other references to joint ownership mean joint ownership with right of survivorship. Joint ownership doesn't apply in Quebec.
2 If ownership transfers to a spouse and the contract continues.

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# What else do you need to know?

It's important to keep in mind that every financial situation is different, and much depends on your intentions and goals. These two articles offer a deeper dive into how joint ownership works and what factors to weigh when selecting an appropriate strategy:

- **Be careful with joint ownership**
- **Joint tenants with right of survivorship—an appropriate strategy?**

Your advisor can help you find an approach that works for you.

For more information, please contact your advisor or visit **manulifeim.ca**