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 non-registered assets into joint ownership is one of the most common methods of avoiding probate,[2] and it can 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 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 down the road.

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 segregated fund contracts or insurance guaranteed interest account (GIA) alternatives can achieve the same advantages —and more—without the drawbacks.

Joint ownership		**Segregated fund contract and insurance GIA alternative**	
Advantages		**Advantages**	
✔	On death, avoids estate and probate	✔	On death, avoids estate and probate
✔	Tax-deferred transfer to spouse	✔	Tax-deferred transfer to spouse[3]
Disadvantages		✔	Potential creditor protection
		✔	Easy and free change to beneficiary
✘	Taxable disposition with non-spouse	✔	Adding a beneficiary is not a taxable disposition.
✘	Adding a spouse or minor child will result in income and/or capital gains attribution.	✔	Trust named as beneficiary may qualify as a testamentary trust
✘	Loss of control	✔	Main control
✘	Exposed to creditors of new owners	✔	Flexibility in structuring beneficiary payouts
✘	May jeopardize principal residence exemption or home buyers plan	✔	Capital guarantees on maturity and death
✘	Potential litigation—joint ownership vs resulting trust	**Segregated fund contracts and insurance GIAs can help investors avoid some of the pitfalls of joint ownership.**	
✘	Probate may apply where beneficial interest isn't transferred		

The Manufacturers Life Insurance Company

[1] All other references to **joint ownership** mean joint ownership with right of survivorship. Joint ownership doesn't apply in Quebec.

[2] The probate process and fees do not apply in Quebec. There is a verification process for non-notarial wills but not for notarial wills.

[3] If ownership transfers to a spouse and the contract continues.

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**

To speak with Manulife Investment Management about segregated funds, call 1-888-790-4387.

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