

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.

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

Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value.

This communication is published by Manulife Investment Management. Any commentaries and information contained in this communication are provided as a general source of information only and should not be considered personal investment, tax, accounting or legal advice and should not be relied upon in that regard. Professional advisors should be consulted prior to acting based on the information contained in this communication to ensure that any action taken with respect to this information is appropriate to their specific situation. Facts and data provided by Manulife Investment Management and other sources are believed to be reliable as at the date of publication.

Certain statements contained in this communication are based, in whole or in part, on information provided by third parties and Manulife Investment Management has taken reasonable steps to ensure their accuracy but can't be held liable for such information being inaccurate. Market conditions may change which may impact the information contained in this document.

You may not modify, copy, reproduce, publish, upload, post, transmit, distribute, or commercially exploit in any way any content included in this communication. Unauthorized downloading, re-transmission, storage in any medium, copying, redistribution, or republication for any purpose is strictly prohibited without the written permission of Manulife Investment Management.

The Manufacturers Life Insurance Company is the issuer of guaranteed insurance contracts, annuities and insurance contracts containing Manulife segregated funds. Manulife Investment Management is a trade name of Manulife Investment Management Limited and The Manufacturers Life Insurance Company.

Manulife, Manulife Investment Management, the Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.