

Protect your estate after you're gone

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People work hard to save money to provide a nest egg for after they're gone and they want to make sure that money is managed responsibly and put to good use. Some people are ok with giving those funds without any strings but in other situations, people may be concerned about giving beneficiaries a lump sum. That beneficiary may be young and irresponsible with the funds. Other children or beneficiaries may be suffering from certain issues. They may have a gambling addiction. They may be suffering from substance abuse. They may be in a relationship with a spouse or common-law partner that's deteriorating on the verge of a breakup. In those situations, individuals may not want to give a lump sum or a large cheque to those beneficiaries.

Perhaps the most common way to control from the grave is through the use of a trust. A trust allows you to set out the terms of how the trustee is to manage the funds, who they're to give the funds to and when. The downside with trust are the costs, the cost to set up the trust, the cost to file an annual trust return and potentially trustee fees as well may be incurred.

Fortunately, there is another no-cost alternative that allows you to control from the grave. We call it the annuity settlement option. Some people may call it the estate settlement transfer. It's a no-cost alternative where you as the owner buy a segregated fund or an insurance company GIC or you can even use it with a life insurance policy. You name a beneficiary but instead of that beneficiary receiving a lump sum death benefit on your passing, an annuity is purchased and they will receive installment payments based on your instructions as opposed to a lump sum cheque. You choose the type of annuity. It can be a life annuity with or without a guarantee, it can be a term annuity. The annuity settlement option is very flexible. You can change the beneficiary or move the beneficiary at any time without any cost. For example, you name a beneficiary now that is much more responsible with their funds, you can change the beneficiary designation such that they receive a lump sum. If you want to distinguish between beneficiaries, one beneficiary gets a lump sum and the other one gets an annuity, all these choices are available to you as an advisor or a client. There are pros and cons to both potential strategies. The key is that individuals have a choice.

Speak to your advisor about Manulife Investment Management segregated fund solutions.

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