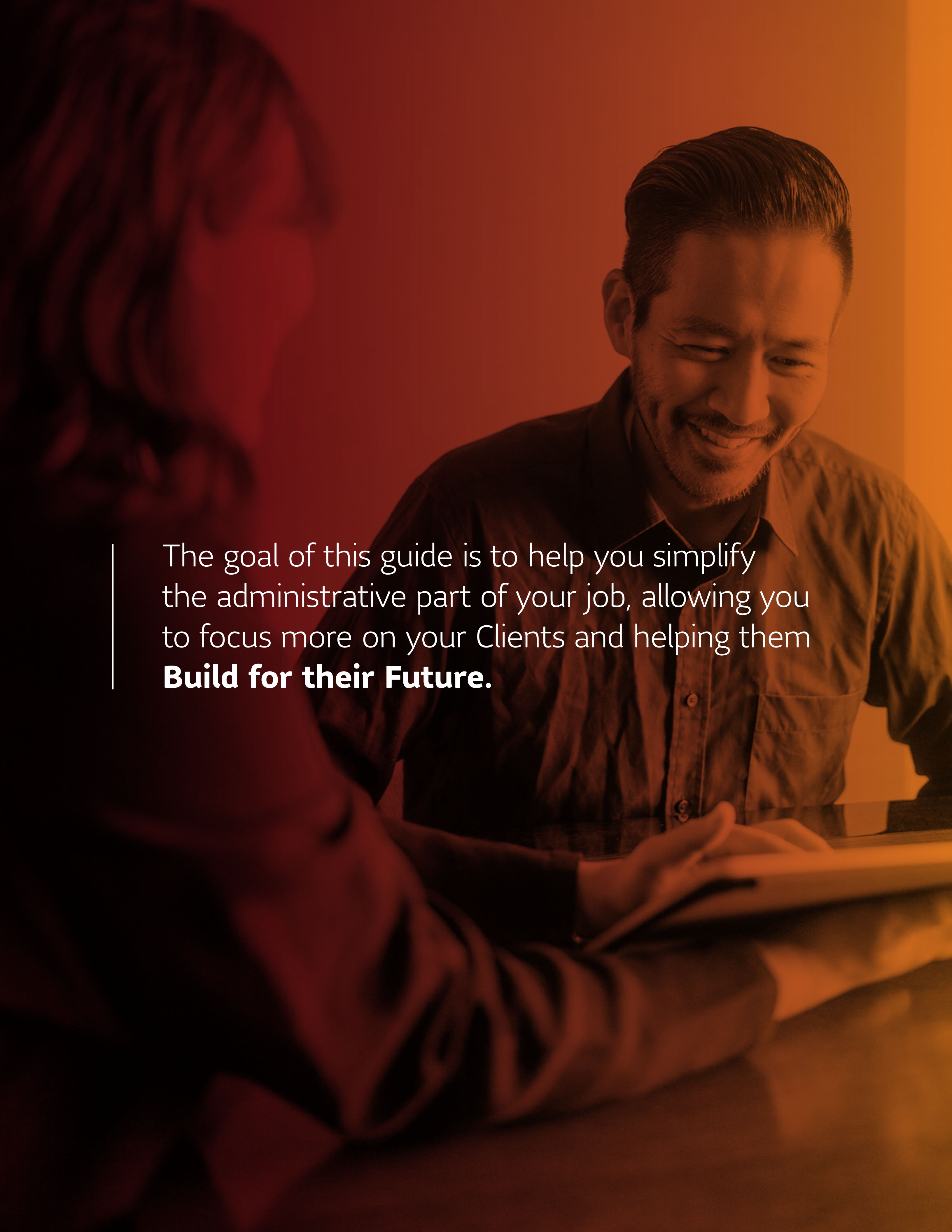
SUN LIFE
GUARANTEED INVESTMENT FUNDS

CONTRACT STRUCTURE GUIDE

ADVISOR USE ONLY

Sun Life Global Investments



The goal of this guide is to help you simplify the administrative part of your job, allowing you to focus more on your Clients and helping them **Build for their Future.**

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Contract structure guide

At Sun Life Global Investments, we recognize that as an Advisor your time is important. We've developed this comprehensive guide, to help you easily navigate through the process of setting up your Client's Segregated Fund Contract, from the most basic to the more complex and unique scenarios.

The goal of this guide is to help you simplify the administrative part of your job, allowing you to focus more on your Clients and helping them Build for their Future.

Legacy planning is becoming increasingly important as baby boomers retire and family dynamics change. Clients require a customized approach that matches their unique goals and priorities while providing for the interests of their loved ones.

This guide will help you effectively set up Sun Life Guaranteed Investment Funds (GIFs) contracts to best suit the client's needs.

A helpful tool for new Advisors or for the experienced Advisor, providing information at your fingertips to help answer some of your questions. But should you have more questions, don't hesitate to contact your Sun Life Global Investments Wholesaler, or email gifs@sunlife.com, for additional questions you might have.

People involved in an insurance contract

Annuitant

The annuitant is the person on whose life the contract and guarantees are based. The contract ends following the death of the last surviving annuitant and a death benefit is paid to the beneficiary, if applicable.

Unless a successor annuitant is named and living, the contract ends when the primary annuitant dies and a death benefit is paid, if applicable.

For registered contracts, the annuitant must be the owner. For non-registered contracts, the annuitant can be different than the owner.

Joint annuitants aren't allowed; only one annuitant at a time may be named on Sun Life GIFs contracts. A successor annuitant may be named depending on the tax type.

Refer to the joint owner section for more information.

Successor annuitant

If there is a successor annuitant alive when the annuitant dies, the contract continues.

A successor annuitant is allowed on non-registered, registered retirement income fund (RRIF) and tax-free savings account (TFSA) contracts. For RRIF and TFSA contracts, the successor annuitant/planholder (who must be the spouse) also assumes ownership rights. For TFSA contracts, the successor annuitant is called a successor planholder.

Naming a successor annuitant results in the continuation of the contract, subject to legal and administrative restrictions. No death benefit is payable. This means the contract will have the same investments and guarantees. For Sun GIF Solutions Income Series and Sun Lifetime Advantage GIF, the income guarantee won't continue unless the contract has the joint life income option.

A **Power of Attorney (POA)** is not permitted to name successor annuitants, successor owners or beneficiaries on a contract.

Single owner contract

Single owner is the most common contract setup and usually the owner is also the annuitant. Only non-registered contracts allow the owner and annuitant to be different.

Joint owner contracts – non-registered only

Although many of the same principles that apply to single owner contracts also apply to joint owner contracts, having multiple owners can increase the complexity of the structure of the contract.

In general, outside of Quebec, there are two types of joint ownership:

- **Joint owners with rights of survivorship** – When one of the owners dies, their share is passed automatically to the other owner (as long as there is a living annuitant).
- **Joint owners – tenants in common** – Each owner has a share in the contract. When one owner dies, their share passes to their estate or to a successor owner, if named (as long as there is a living annuitant).

Joint ownership of a contract doesn't mean the non-annuitant owner is automatically named the successor annuitant for the contract. If the intention is for the contract to continue after the annuitant dies, a successor annuitant must be named. If the owner who is the annuitant dies and a successor annuitant has not been named, the contract will end and the death benefit will be paid to the beneficiaries even if there is a living owner.

Joint owners under Quebec law are referred to as undivided co-owners and, while they own the contract, they share its rights and benefits. It's the equivalent of "tenants in common". There is no equivalent to joint owners with rights of survivorship in the province of Quebec; however, spouses can name each other as subrogated owner of their share, allowing the surviving spouse to take full ownership of the contract when one of them dies. **A successor annuitant will still need to be named in order for the contract to continue after the primary annuitant dies.**

Successor owner (subrogated contract owner in Quebec)

A successor owner is only allowed for non-registered contracts. That being said, when a spouse is named as the successor annuitant on RRIF and TFSA contracts, they become annuitant and owner of the contract when the annuitant dies.

A successor owner is often named if the owner isn't the annuitant or the contract has a successor annuitant. Naming a successor owner allows the ownership of the contract to pass to the successor owner without passing through the estate of the owner, as long as an annuitant is still alive. If there's still a living annuitant when the owner dies and no successor owner has been named, the owner's interest in the contract will pass to their estate. If an owner names a successor owner, when the owner dies, the successor owner acquires their ownership interest if there's still a living annuitant.

If there's no living annuitant the contract ends and the death benefit is paid to the beneficiary.

Other owners – non-registered contracts

Corporate owners

When the contract is owned by a company, the corporation can't be the annuitant. The annuitant needs to be a person as the guarantees are based on the life of the annuitant. The annuitant is usually a key shareholder, executive or employee. Naming a successor annuitant may be beneficial as it allows the contract to continue when the primary annuitant dies. In most cases, the company is named as the beneficiary so when the last surviving annuitant dies, the money flows back into the company.

The annuitant can't be changed on a contract so it important to ensure the person named as annuitant is someone who will not be changing (ie: owner of company). For example, if the annuitant named is a member of the board and retires, in order to name a new annuitant they must close the existing contract and move the funds to a new contract. Depending on the size of the contract, the taxable consequences could be high.

Estate or trust

A trust allows one person (trustee) to hold an investment for the benefit of another person (trust beneficiary). Generally, the trustee administers it according to the terms of the trust. The settlor no longer has control. A trust/estate isn't a legal entity but rather a method of settling the ownership of the investment although it's treated as a separate legal entity for tax purposes.

In trust for (ITF) (not applicable in Quebec)

This is an informal trust arrangement and is most often used by parents to hold property in trust for their children. As this is an informal agreement, there are often no written instructions clearly explaining the administration of the contract. This can cause confusion with respect to the appropriate use of the funds and ownership of the contract when the child reaches age of majority. Parents sometimes don't realize that the children may be able to take control of the assets once they reach the age of majority. The "in trust for" owner (e.g. parent) may no longer have rights to the contract. Informal trusts don't exist in Quebec.

Charity

Contracts can be applied for in the name of a charity where someone (the donor) deposits money to a contract to be owned by a charity, or when a donor transfers ownership of their own contract to a charity.

The donor is most often the annuitant of the contract. This allows the donor to fulfill his or her charitable wishes and receive a charitable donation credit while divesting themselves of assets. This may reduce the tax liability of the donor.

A person could also leave an amount at death to a charity and instruct the executor of their estate to purchase a segregated fund contract. The owner of the contract would be the charity, and they would need to name an annuitant. Once the contract is opened in the name of the charity, a charitable donation receipt would be issued to the estate, which could be used to reduce the tax payable on the deceased's final tax return.

Beneficiary designations

A beneficiary designation is a very important part of an insurance contract. When a proper beneficiary designation is in place, the death benefit is paid to the named beneficiary(ies) when the last surviving annuitant dies.

Naming a beneficiary

The owner of the contract can name a beneficiary on the application or at a later date using the "Owner, successor, beneficiary change form (4612)", a written request or by subsequent declaration in a will.

Only the contract owner can make beneficiary designations. If an attorney under a power of attorney (POA) applies for the contract on behalf of the owner, the attorney isn't permitted to name a beneficiary for the contract except in very limited situations. One such situation is the transfer of funds from an existing contract that has a beneficiary designation. The attorney may have an obligation to replicate the existing beneficiary designation when the funds are moved to a new contract. If there isn't a named beneficiary, the death benefit is paid to the owner or the owner's estate.

Providing the name(s) and relationship of the beneficiary(ies) on the application or beneficiary change form is critical to ensure proper payment and efficient processing of the death benefit. Unclear designations such as "my spouse" can delay updating our records, as the form may be returned for clarification.

Who can't be a beneficiary

The annuitant can't be the beneficiary because their death triggers the payment of the death benefit.

The owner can't technically be the beneficiary of the contract. The owner may be the person named to receive the death benefit but is excluded from the definition of beneficiary under insurance law. This means that the funds may not be protected from creditors. Even though the owner is excluded from the definition of beneficiary, we may refer to an owner who is entitled to receive the death benefit as a beneficiary in this guide.

Review the designation on a regular basis

It's important that clients review their beneficiary designation periodically to ensure it's still valid. Changes in family structure, marriages, deaths or births can affect a client's wishes.

When a marriage breaks down, it's important that previous beneficiary designations be carefully reviewed to ensure the wishes of the contract owner are properly reflected. Generally, where there's a named spouse as beneficiary, that designation will remain in place after a divorce so the contract owner must change the beneficiary to remove their spouse if that's their intent.

In Quebec, the Civil Code of Quebec indicates that divorce (not separation from bed and board) defeats the interests of the previously named spouse as beneficiary.

Why is a beneficiary designation so important?

- **Avoids probate, delays and other expenses of assets passing through the estate** – Depending on the province, probate fees can be high and create a significant liability to an estate. Probate can also take several months (or longer if the will is contested), thereby delaying the distribution of the proceeds. If there's a named beneficiary on the contract, the death benefit is usually paid quickly, directly to the beneficiary, once all required documentation has been received. There are no probate fees in Quebec.
- **Potential creditor protection** – While the annuitant is alive and the beneficiary is either irrevocable or someone in the family class (see the "Potential creditor protection" section below), the contract may be exempt from seizure and certain other creditor claims. At death, the proceeds pass directly to the named beneficiary and don't form part of the contract owner's estate. This may offer protection from claims from the deceased owner's creditors. It's best for the client to consult with their legal representative if they have questions about their personal situation.
- **Control of the assets** – The owner has control of what happens to their assets when they die. Unless the beneficiary designation is irrevocable, it can be changed easily without the formality and expense of changing a will. The owner can also control how their benefit is paid to their beneficiary by using the legacy settlement option or through a will.

Revocable beneficiary

In general, beneficiary designations are revocable unless the owner indicates "irrevocable" on the application or designation form. This means that the beneficiary can be changed or removed at any time by the owner of the contract. The beneficiary has no rights to the contract while the annuitant is alive.

If the ownership changes, any current revocable beneficiary designations are no longer valid. The new owner should review the beneficiary designations following an ownership change.

In Quebec, if the married or civil union spouse of the owner is designated as the beneficiary, the designation is irrevocable unless "revocable" is specified. The spouse has to be the married or civil union spouse at the time of the designation. If the marriage or civil union happened after the designation, the designation of the spouse remains revocable unless a new designation is made.

Irrevocable beneficiary

The circumstances in which an irrevocable beneficiary designation is desirable are rare, and often these designations are made without proper consideration of the consequences. In all provinces except Quebec, irrevocable beneficiaries are named on the basis of the owner's wishes only.

Irrevocable beneficiaries restrict the owner's ability to deal freely with the contract. When there is an irrevocable beneficiary designation, the owner of the contract may not make some types of changes to or certain transactions on the contract without the consent of the irrevocable beneficiary. See the 'Important things to consider before naming an irrevocable beneficiary' section below.

An irrevocable beneficiary applies to primary beneficiaries only, we do not accept irrevocable beneficiary instructions for contingent beneficiaries.

Important things to consider before naming an irrevocable beneficiary

- The signature of the irrevocable beneficiary is required for certain transactions, including (but not limited to);
  - Changing the beneficiary designation
  - Naming or changing successor annuitant or successor owner (after the contract is established)
  - Making withdrawals or changing an income schedule
  - Surrendering the contract
- Naming a minor as irrevocable beneficiary isn't recommended as the minor is unable to sign or give consent until they reach age of majority. No one else can give consent on their behalf.
  - For example, naming a minor as irrevocable beneficiary could prevent an owner from cancelling a contract or withdrawing money when their needs or finances change
- Rules for ownership change depend on the applicable provincial law. Some provinces allow a change of ownership without the irrevocable beneficiary's consent; however, the irrevocable beneficiary designation remains in effect.
- Separation or divorces won't undo the irrevocable beneficiary designation, except in Quebec
  - There are situations, however, where a client will be required to designate a former spouse as an irrevocable beneficiary under the terms of a court order or separation agreement.

Meet Bob and Sandy

- When using irrevocable beneficiaries to control assets within a blended family or complex family situation, it is extremely important to understand the limitations and final outcomes. For example;

Scenario: Tax consequences for a blended family, both spouses have children from another marriage
Marital Status: Married
Bob: Husband, children are John, Susan
Sandy: Wife, child Becky

- Non-registered Sun GIF Solutions with Income and Estate Series. Bob is the owner and annuitant and has selected Joint life income with Sandy.
- Bob has named Sandy the successor owner/annuitant as he wants her to continue to receive income while she is alive. He has named his children as irrevocable beneficiaries as he wants his children to receive the proceeds when both spouses are deceased.
- What Bob does not realize is that in the case that Sandy is the last surviving annuitant, her death could cause a tax impact for Sandy's estate. When Sandy dies the death benefit will be paid to his children, but Sandy's estate will receive the tax slips. If this is the only source of funds that Sandy has, it can cause a financial impact to Becky, who is Sandy's executor.
- Always discuss these complex scenarios with a legal and tax representative

Legacy settlement option

The legacy settlement option allows the owner of the contract to have the flexibility to direct how their death benefit will be paid to their beneficiary(ies). This is a desirable option for clients who want to structure this part of their estate legacy for minors or other dependants, or who want to transfer this part of their legacy gradually instead of in one lump-sum payment.

The owner can choose to have the benefit paid to the beneficiary as a life annuity, a term certain annuity, a lump-sum payment or a combination of these. The owner can also choose to defer the payments from the annuity for up to 10 years from the date of death of the annuitant. A specific start date for the annuity can't be selected in advance. When selecting a deferred annuity, the owner should be aware that the beneficiary will be taxed on any interest earned each year that the annuity is deferred.

This option can be used even if multiple beneficiaries are named on a contract and will allow the owner to customize the benefit for each beneficiary: beneficiaries can receive either a lump sum, an annuity or a combination of both.

As with any other beneficiary designation, these funds will pass to the beneficiary outside of the owner's estate and will avoid probate fees and other estate costs.

Power of attorney (POA)

An attorney named in a POA who is acting on behalf of the owner is limited in what types of decisions may be made on the contract.

Generally, an attorney may not name a beneficiary for the contract. When the annuitant dies, the death benefit would be paid to the beneficiary, if previously named by the owner, or to the owner or owner's estate if there is no beneficiary designation. The attorney also may generally not name a successor owner or successor annuitant on the contract.

There may be an exception to the above when the attorney is applying for a new contract, the funds are transferred from another contract or company and there is a beneficiary designation in place for that previous investment. The attorney may be obligated to replicate that designation on the new contract.

Non-resident Clients

Sun Life doesn't issue new contracts if the owner or annuitant isn't a Canadian resident.

For the segregated fund contract to be a "Life insurance policy in Canada" as defined in the Income Tax Act of Canada, the contract must be issued by an insurer on the life of a person who is a resident of Canada at the time the contract was issued. Selling a contract to a client who is a resident of another country could violate securities and insurance legislation in that country as well as cause issues with anti-money laundering and Foreign Account Tax Compliance Act (FATCA)/Common Reporting Standard (CRS) monitoring.

Clients who become non-residents after a contract has been established are permitted to keep their contracts in force; however, advisors' ability to provide service to clients outside their licensing jurisdiction is limited.

For clients who live in Canada but outside the province where the advisor is licensed, the client must be present in the province where the advisor is licensed for any sales discussions and transactions.

The following restrictions may apply:

- Any Transaction Authorization (TA) on file is no longer valid.
- New deposits to an existing contract won't be accepted.
- All transaction requests must be received in writing at head office directly from the Client.
- All requests to update Client information must be received at head office in writing directly from the Client.

Marriage breakdown

The process for marriage breakdown will vary with each case. If, as a result of a marriage breakdown, the Sun Life GIFs contract must be divided, Sun Life must receive the appropriate transfer form and a copy of the separation agreement and/or domestic contract (court order). This document gives Sun Life the correct instructions for processing the transfer.

Any money that is leaving the contract is considered a withdrawal. The death benefit and maturity guarantees are reduced proportionately and all applicable withdrawal fees will apply. It's important to realize that this could cause an excess withdrawal on a lifetime guaranteed income product.

If the funds are locked in, the client will need to be aware that pension law varies by province. We strongly suggest they consult with their lawyer before making changes to their contract.

In all cases, the client will need to ensure they review the beneficiary designation on their contracts. The normal wording under a separation agreement where the spouses waive claims against the assets of the other spouse does not revoke the beneficiary designation. In Quebec, when there's a divorce the beneficiary designation (including irrevocable beneficiary) is automatically revoked; however, it isn't the case in all other provinces.

Probate

Probate is a process where a court confirms the validity of a will. This verifies the authority of the executor and ensures that the will in question is the last will and testament of the deceased.

If the estate contains certain types of assets, such as real estate or certain investments, the assets can't be distributed until the will is probated.

The probate process can be both lengthy and costly. It can tie up the assets if someone is contesting the will. If there are beneficiaries of the will, such as a spouse or children who need these assets, it can cause financial hardship for them.

In Quebec, probate doesn't apply and the process for confirmation of the validity of wills is called verification. If the will is a notarial will (drafted by a notary and filed with a central registrar) it doesn't require verification.

Potential creditor protection

In certain cases, life insurance contracts have special protection against the claims of creditors under provincial legislation. This is generally consistent across Canada and is intended to protect the rights of the beneficiaries under the contract.

Creditor protection can be made available by:

- **Naming members in the family class as beneficiaries** – In all provinces except Quebec, this includes the spouse, children, grandchildren or parents of the annuitant. In Quebec, it includes the married or civil union spouse, descendants and ascendants of the owner.
- **Making an irrevocable beneficiary designation** – This means the consent of the irrevocable beneficiary is required before certain contract rights can be exercised.

Creditor protection may also be available based on registration type of the contract, e.g. RRSP, RRIF or locked-in pension money. Clients should talk to their legal representative to discuss their own situation.

Trusts for minor/disabled beneficiary

When a minor or legally incompetent person is named as beneficiary of a contract, it's recommended that the owner of the contract name a trustee to manage the funds on behalf of the beneficiary. If a trustee isn't named, the courts may have to appoint someone to that role, or it could become the responsibility of a government agency and this may delay the processing of the estate. The trustee can be named on the application.

Setting up a more detailed formal trust may be advisable. This allows the owner of the contract to specify:

- at what age the beneficiary can receive the funds,
- the types of investments that can be purchased, and
- how the funds can be used.

The trust can be created within a will and should clearly identify the beneficiaries, the trustee and the contract information, and confirm that the death benefit proceeds for the applicable contract create a separate insurance trust and don't form part of the estate.

An "in trust for"[1] contract is often purchased when the trust is an informal one that doesn't have a written trust agreement to support it. This can lead to confusion over the terms and conditions the trustee must follow or even confusion over the existence of a trust. Creating a contract as "in trust for" doesn't necessarily create a trust. A formal trust must have the following certainties met:

- Certainty of intention – The intention to set up a trust must be clear. This can be difficult to prove as in many cases a parent opens a contract in a child's name because the minor can't enter into a contract, but the parent has no real intention of giving up ownership or control of the assets.
- Certainty of subject matter – This refers to the property being settled in the trust, which isn't usually an issue with investment products as the property is simply funds being invested.
- Certainty of objects – Refers to either persons (beneficiaries) or purposes. The intention is not clear when using vague wording in beneficiary designations, such as "my child".

"In trust for" contracts also present additional problems:

- They may not offer the same creditor protection that a formal trust offers.
- They often don't have any specified investment powers, which means provincial trustee legislation would apply.
- They don't contain specific instructions as to when or how a minor beneficiary should receive the funds held in trust. This means that the child may have the right to demand that the trustee pay out the funds when they reach age of majority (18 or 19 depending on the province).

Although the legacy settlement option is a great option for many, it's important to make sure the Client doesn't use the legacy settlement option for cases where a proper trust should be set up. The income from an annuity set up with the legacy settlement option could cause the beneficiary to lose government benefits they may receiving.

It's important that Clients seek legal and tax advice when considering formal trusts and "in trust for" contracts.

[1] In Quebec, only formal trusts are recognized and this trust must be named as the beneficiary; otherwise, any death benefit payable to a minor will be administered by their legal tutors (generally, their parents).

Quick tips for contract structure

Client wants their assets to pass to their...	Possible contract structure
Spouse	**Non-registered** • Name the spouse as the sole beneficiary, or • Name the spouse as successor annuitant and successor owner, or • Name the spouse as joint owner with rights of survivorship (or subrogated owner in Quebec) and successor annuitant **Registered retirement savings plan (RRSP)** • Name the spouse as sole beneficiary **RRIF/TFSA** • Name the spouse as successor annuitant/holder
Spouse, then children	**Non-registered** • Name the spouse as successor annuitant and successor owner with the children as beneficiaries, or • Name the spouse as joint owner with rights of survivorship (or subrogated owner in Quebec) and successor annuitant with the children as beneficiaries **RRSP** • Name the spouse as beneficiary and children as contingent beneficiaries **RRIF/TFSA** • Name the spouse as successor annuitant/holder and children as beneficiaries
Children (no spouse)	**Non-registered** • Name the children as beneficiaries • Name a child as successor owner and successor annuitant **RRSP, RRIF, TFSA** • Name the children as beneficiaries

Single owner – non-registered contracts

- The owner and annuitant don't need to be the same person.
- The owner can name a successor annuitant, which will allow the contract to continue after the primary annuitant dies.
- If a person is named as annuitant or successor annuitant, they can't be named as a beneficiary.
- If there's a successor annuitant, no death benefit is paid to the beneficiary(ies) and the death benefit guarantee doesn't apply until the death of the last surviving annuitant.
- The owner can name a successor owner for the contract. If the owner dies and there is a surviving annuitant, unless there is a successor owner, the contract will be owned by the estate of the deceased owner.
- When a spouse is the successor owner and successor annuitant, the contract passes tax-free to the spouse at the death of the owner.
- If the successor owner and successor annuitant is someone other than the spouse, the estate of the deceased owner will be taxed for any accrued income up to the date of death and will be accountable for taxes related to the disposition of the contract.

Owner and annuitant are the same person (contracts without lifetime guaranteed income)

Owner	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom	Carol	Tom	Carol	John	Tom	The contract continues; Carol becomes the annuitant and the owner of the contract. No death benefit is payable. **Note:** If Carol was deceased at the time of Tom's death, the proceeds would be paid to John.	Ownership transfers to Carol on a tax-deferred basis. No tax slips are issued. **Note:** If the successor owner were someone other than Carol (spouse), there would be a deemed disposition as the contract changes ownership. Tax slips would be issued to Tom for any capital gains/losses and/or interest or dividend allocations up to the date of his death.
Tom	None	Tom	Carol	John	Tom	The contract continues and Carol becomes the annuitant. As there is no successor owner, the contract owner is now Tom's estate. **Note:** If Carol was deceased at the time of Tom's death, the proceeds would be paid to John.	Tax slips will be issued to Tom and include any capital gains/losses and/or interest or dividend allocations up to the date of death. Tom's estate will receive tax slips for any capital gains/losses and/or interest or dividend allocations from the date of death to the date of settlement.

In all examples, Carol and Tom are spouses and John is their child.

Owner and annuitant are the same person (contracts without lifetime guaranteed income) CONTINUED

Owner	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom	Carol	Tom	None	John	Tom	As there is no successor annuitant the contract ends. The death benefit is paid to John. **Note:** Even though Carol is the successor owner, she has no claim to the proceeds. When the last surviving annuitant dies the contract ends.	Tax slips are issued in Tom's name. His final tax return must include any gains and/or allocations up to the date of his death. John will receive tax slips for any capital gains/losses and/or interest or dividend allocations between the date of death and the date of settlement. These must be included in his tax returns.
Tom	None	Tom	None	Carol	Tom	As the annuitant (Tom) is deceased, the contract ends. The death benefit is paid to Carol (the named beneficiary). **Note:** If Carol is deceased and there are no contingent beneficiaries, the proceeds are paid to Tom's estate.	Tax slips are issued in Tom's name. His final tax return must include any gains and/or allocations up to the date of his death. Carol will receive tax slips for any capital gains/losses and/or interest or dividend allocations between the date of death and the date of settlement. These must be included in her tax returns.

Owner and annuitant are different people (contracts without lifetime guaranteed income)

Owner	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom	Carol	Carol	Tom	John	Carol	The contract continues. Tom remains the owner and becomes the annuitant.	No taxable events.
Carol	None	Tom	None	John	Tom	The contract ends. The death benefit is paid to John.	Tax slips will be issued to Carol and include any capital gains/losses and/or interest or dividend allocations up to the date of death. These must be included on her tax returns. John will receive tax slips for any capital gains/losses and/or interest or dividend allocations between the date of death and the date of settlement. These must be included in his tax returns.

Owner and annuitant are different people (contracts with lifetime guaranteed income)

Owner	Successor owner	Annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom	Carol	Carol	Tom	John	Single life	Carol	The income stops. If Tom wants to receive a lifetime guaranteed income he can: • request a new lifetime guaranteed income based on his age, sex, the current market value of the contract and the current minimum income rate, or • transfer the market value to a contract in his name.	The contact continues; Tom remains the owner and becomes the annuitant. No death benefit is payable.	No taxable events.
Tom	Carol	Carol	Tom	John	Joint life	Carol	The income continues unchanged.	The contract continues; Tom becomes the annuitant	No taxable events.

Joint owner contracts – non-registered only

- Although many of the same principles that apply to single owner contracts also apply to joint owner contracts, having multiple owners can increase the complexity of the structure of the contract.
- In general, outside of Quebec, there are two types of joint ownership:
  - Joint owners with rights of survivorship
  - Joint owners as tenants in common
- The annuitant doesn't need to be one of the owners (but should be a person with insurable interest, e.g. child, spouse, parent).
- A successor annuitant may be named which will result in the contract continuing on the death of the primary annuitant.
- If a person is named as annuitant or successor annuitant, they can't be named as a beneficiary.
- If there's a successor annuitant, no death benefit is payable to the beneficiary(ies) on the death of the annuitant, and the death benefit guarantee doesn't apply until the death of the last surviving annuitant.
- Successor owners can be named on the contract, which will result in the ownership rights passing to the successor owner after the death of one of the primary owners.
- Both owners' signatures are required for all transactions that materially change the contract structure, such as changes to the annuitant, owner or beneficiary designation.

Joint owner contracts in Quebec

- A successor owner is called a subrogated owner.
- Spouses can name each other as subrogated owner, allowing the surviving spouse to take ownership of the contract when one of them dies.
- If a subrogated owner isn't named, the deceased's portion becomes part of his/her estate.

Joint owner contracts – rights of survivorship (contracts without lifetime guaranteed income) (excluding Quebec)

Owners	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom and Carol	N/A	Tom	Carol	John	Tom	Carol becomes the annuitant and sole owner of the contract.	No taxable events.
Tom and Carol	N/A	Tom	None	John	Tom	The contract ends. The death benefit is paid to John.	Tax slips are issued in the name of both owners (Tom and Carol). Each person is responsible for paying tax on the growth attributable to their portion. From the date of death to the settlement date, any capital gains/losses and/or interest or dividend allocations are proportionately taxable on Tom's final tax return and Carol's tax return for that year.
Tom and Carol	John	John	None	None	John	The contract ends. As there are no beneficiaries, the proceeds are paid to Tom and Carol.	Tax slips are issued to Tom and Carol for any gains and/or allocations up to the date of John's death.

Joint owner contracts – rights of survivorship (contracts with lifetime guaranteed income) (excluding Quebec)

Owners	Successor owner	Annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom and Carol	N/A	Tom	Carol	John	Joint life	Tom	The income continues unchanged to Carol.	Carol becomes the annuitant and sole owner. No death benefit is payable.	No taxable events.

Joint owner contracts – rights of survivorship (contracts with lifetime guaranteed income) (excluding Quebec) CONTINUED

Owners	Successor owner	Annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom and Carol	N/A	Tom	Carol	John	single (tom)	Tom	The income ends. If Carol wants to receive a lifetime guaranteed income she can: • request a new lifetime guaranteed income based on her age, sex, the current market value of the contract and the current minimum income rate, or • transfer the market value to a contract in her name.	Carol becomes annuitant and sole owner of the contract. No death benefit is payable.	No taxable events.

Joint owner contracts – tenants in common (contracts without lifetime guaranteed income) (excluding Quebec)

Owners	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom and Carol	Carol	Tom	Carol	John	Tom	The contract continues, Carol becomes the annuitant and sole owner of the contract.	No taxable events.
Tom and Carol	None	Tom	None	John	Tom	The contract will end and the death benefit will be paid to John. **Note:** If a beneficiary other than Carol is named, they're entitled to the proceeds. Carol has no claim to the money despite being the joint owner of the contract. When the last annuitant dies, the contract ends.	Tax slips are issued in the name of both owners (Tom and Carol). Each person is responsible to pay tax for the growth attributable to their portion. From the date of death to the settlement date, any capital gains/losses and/or interest or dividend allocations are proportionately taxable on Tom's final tax return and Carol's tax return for that year.
Tom and Carol	None	Tom	Carol	John	Tom	The contact continues and Carol becomes the annuitant. As there is no successor owner, the contract is now owned by Carol and Tom's estate.	There's a deemed disposition of Tom's portion at the time of death and as a result any capital gains/losses and/or interest or dividend allocations are taxable on his final return. As Carol is still living, there's no deemed disposition of her portion. Tax slips are issued in the name of both owners (Tom and Carol).

Joint owner contracts – tenants in common (contracts with lifetime guaranteed income) (excluding Quebec)

Owners	Successor owner	Annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom and Carol	Carol	Tom	Carol	John	Joint life	Tom	The income to Carol continues unchanged.	Carol becomes the annuitant and sole owner. No death benefit is payable.	No taxable events.
Tom and Carol	Carol	Tom	Carol	John	Single (Tom)	Tom	The income ends. If Carol wants to receive a lifetime guaranteed income she can: • request a new lifetime guaranteed income based on her age, sex, the current market value of the contract and the current minimum income rate, or • transfer the market value to a contract in her name.	Carol becomes annuitant and sole owner of the contract. No death benefit is payable.	No taxable events.

Joint owner contracts – Quebec (contracts without lifetime guaranteed income)

Owners	Subrogated owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom and Carol	None	Tom	None	John	Tom	The contract terminates. The death benefit is paid to John. Even though Carol is alive, she has no claim to the assets.	Tax slips are issued in the name of both owners (Tom and Carol). Each owner's capital gains/losses and/or interest or dividend allocations up to the date of death are taxable on his/her tax return.
Tom and Carol	Carol for Tom's share Tom for Carol's share	Tom	Carol	John	Tom	The contract continues and Carol becomes the annuitant. As Carol is the subrogated owner, Tom's portion of the ownership transfers to her. No death benefit is payable.	Tom's portion of the ownership transfers to Carol on a tax-deferred basis. No tax slips are issued.

Joint owner contracts – Quebec (contracts with lifetime guaranteed income)

Owners	Subrogated owner	Annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom and Carol	None	Tom	None	John	Single life	Tom	The contract and income end.	The contract ends and the death benefit is paid to John. Even though Carol is alive, she has no claim to the assets. When the last annuitant dies, the contract ends.	Tax slips are issued in the name of both owners (Tom and Carol). Each owner's capital gains/ losses and/ or interest or dividend allocations up to the date of death are taxable on his/ her tax return.
Tom and Carol	Carol for Tom's share Tom for Carol's share	Tom	Carol	John	Single life	Tom	The income ends. If Carol wants to receive a lifetime guaranteed income she can: • request a new lifetime guaranteed income based on her age, sex, the current market value of the contract and the current minimum income rate, or • transfer the market value to a contract in her name.	The contract continues and Carol becomes the annuitant. As Carol is the subrogated owner, Tom's portion of the ownership transfers to her. No death benefit is payable.	Tom's portion of the ownership transfers to Carol on a tax-deferred basis. No tax slips are issued.
Tom and Carol	Carol for Tom's share Tom for Carol's share	Tom	Carol	John	Joint life	Tom	The income to Carol continues unchanged. **Note:** If someone other than Carol was subrogated owner, the payments would stop until direction is received relating to Tom's portion of the assets. Payments will resume when that happens.	The contract continues and Carol becomes the annuitant. As Carol is the subrogated owner, Tom's portion of the ownership transfers to her. No death benefit is payable.	Tom's portion of the ownership transfers to Carol on a tax-deferred basis. No tax slips are issued.

Corporate contracts (non-registered only)

- A successor annuitant may be named which will cause the contract to continue when the primary annuitant dies.
- In most cases, the corporation should be named as the beneficiary so if the annuitant dies and there is no successor annuitant, the money is paid to the corporation.
- If there is a successor annuitant, no death benefit is paid to the beneficiary(ies) and the death benefit guarantee doesn't apply until the death of the last surviving annuitant.
- With the application, Clients need to submit paper copies of all applicable corporate/entity documents, which include:
  - Certificate of incumbency form 4207
  - International tax classification for an entity form 4545
  - Articles of incorporation or articles of association (corporations and not-for-profit)
  - Board resolution or corporate by-law evidencing authority of signing officers (corporations and not-for-profit)
  - Partnership agreements (if applicable)
  - Copy of Canada Revenue Agency (CRA) registration (not-for-profit)
  - Copy of trust agreement for trust (non-corporate entity, e.g. a trust)
  - Copy of the will for estate (non-corporate entity, e.g. a trust)
  - Copy of the formation document of the organization (all other non-corporate legal entities)
  - Evidence of signing authorities of the signing officers (all other non-corporate legal entities)

Owner	Successor owner	Annuitant	Successor annuitant	Beneficiary	Deceased	At death	Tax implications
Carol Inc.	N/A	Carol (president)	N/A	Tom	Carol	The contract ends and the death benefit is paid to Tom. **Note:** If a beneficiary other than Carol Inc. is named, they're entitled to the proceeds. The corporation has no claim to the money despite being the owner of the contract. When the last annuitant dies, the contract ends. **Note:** The proceeds could trigger a taxable benefit if the death benefit is paid out to a beneficiary other than Carol Inc. It may be deemed as a shareholder benefit or employee benefit.	A tax slip is issued to Carol Inc. for any capital gains/losses and/or interest or dividend allocations.
Carol Inc.	N/A	Carol (president)	N/A	Carol Inc.	Carol	The contract ends and the death benefit is paid to Carol Inc.	A tax slip is issued to Carol Inc. for any capital gains/losses and/or interest or dividend allocations

TFSA contracts

- For TFSA contracts, the owner/annuitant is called the planholder.
- A spouse can be named as successor planholder.
- If the planholder's spouse is the successor planholder, when the annuitant dies the contract continues and they automatically become the owner of the contract and assume all ownership rights. They must still be the spouse at the death of the planholder in order to take ownership of the contract. If they're no longer the spouse, the death benefit is paid to the beneficiary.
- If the spouse is named as a beneficiary but not as the successor planholder, when the planholder dies, they have 30 days to submit transfer form RC240 to the CRA to approve the deposit of the TFSA to their own TFSA, otherwise it will count as a contribution and may exceed their contribution limit. They can only roll over the value of the TFSA at the date of death as the exempt amount. Any growth after the date of death is taxable to the surviving spouse and counts as a contribution to their TFSA.
- If the planholder chooses the joint life income option, the spouse must be the successor planholder for the income to continue when the planholder dies.
- If the spouse is named as successor planholder they don't need to be named as beneficiary.
- If the spouse is named as sole beneficiary, they can transfer the money to their own TFSA.

TFSA (contracts without lifetime guaranteed income)

Planholder	Successor planholder	Beneficiary	Deceased	At death of the planholder	Tax implications
Tom	Carol	John	Tom	Carol becomes the planholder of the contract. No death benefit is paid. **Note:** If Carol isn't Tom's spouse when he dies, the death benefit is paid to John.	Since TFSAs are tax-free, there are no taxable events if Carol becomes the planholder. If the death benefit is paid to John, he will receive a tax slip for any income earned between the date of death and the settlement date.
Tom	None	Carol	Tom	Carol can transfer the death benefit to her own TFSA.	Since TFSAs are tax-free, there are no taxable events if the transfer is completed within 30 days of death.
Tom	None	John	Tom	The death benefit is paid to John.	Since TFSAs are tax-free, no tax slip is issued to Tom. For any income earned between the date of death and the settlement date, tax slips will be issued to John.

TFSA (contracts with lifetime guaranteed income)

Planholder	Successor planholder	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom	Carol	John	Single life	Tom	The income ends. Carol can request a new lifetime guaranteed income based on her age, sex, the current market value of the contract and the current income rates.	Carol becomes the planholder of the contract. No death benefit is paid. **Note:** If Carol isn't Tom's spouse when he dies, the death benefit is paid to John.	Since TFSAs are tax-free, there are no taxable events.
Tom	Carol	Carol	Joint life	Tom	The income continues unchanged.	Carol becomes the planholder of the contract. No death benefit is paid. **Note:** If Carol isn't Tom's spouse when he dies, the death benefit is paid to John.	Since TFSAs are tax-free, there are no taxable events.
Tom	None	Carol	Joint life	Tom	The income ends as Carol isn't named as the successor planholder.	Carol can transfer the death benefit to her own TFSA contract.	Since TFSAs are tax-free, there are no taxable events if the transfer is completed within 30 days of death.

RRSP contracts

- A successor annuitant can't be named for RRSP contracts. When converting the RRSP contract to a RRIF contract, the Client can name their spouse as successor annuitant on the RRIF.
- The owner can name anyone as beneficiary of the contract: however, if the owner/annuitant has a spouse, they can name the spouse as beneficiary, which allows the surviving spouse to transfer the value in the contract to their own contract, tax-free.
- For Sun GIF Solutions and Sun Lifetime Advantage GIF, if the Client chose the joint life income option, they should name the spouse as sole beneficiary. When the annuitant dies, the contract transfers to a new contract in the spouse's name with all the existing guarantees in place; if income has been elected, the payments will continue unchanged from the new contract. If the spouse is not the sole beneficiary, they will be able to transfer the money to their own RRSP tax-free but the guarantees will not carry over to the new contract.

RRSP (contracts without lifetime guaranteed income)

Owner/ annuitant	Beneficiary	Deceased	At death of the annuitant	Tax implications
Tom	Carol	Tom	Carol has the following options: **Option A:** Transfer the proceeds (at current market value) and any existing benefits, intact, to a new RRSP Sun Life GIFs contract owned by her, subject to administrative policies and applicable legislation. **Option B:** Transfer the death benefit to an RRSP or a RRIF she owns. **Option C:** Receive the death benefit as a cash payment.	A tax slip is issued to Tom reporting the greater of the market value of the contract on the date of death or the death benefit. **Options A and B:** Offsetting tax slips are issued to Carol for the tax-free transfer. This defers taxation of the transferred proceeds. **Option C:** If the final payment is greater than the amount reported to Tom, this increased amount is taxable to Carol.
Tom	John	Tom	The contract ends. The death benefit is paid to John.	A tax slip is issued to Tom's estate reporting the greater of the market value of the contract on the date of death or the death benefit. For any income earned between the date of death and the settlement date, John receives a tax slip.

RRSP (contracts with lifetime guaranteed income)

Owner/ annuitant	Beneficiary	Income option	Deceased	At death	Income at death	Tax implications
Tom	Carol	Single	Tom	Carol has the following options: **Option A:** Transfer the proceeds (at current market value) and any existing benefits, intact, to a new RRSP Sun Life GIFs contract she owns, subject to administrative rules and applicable legislation. **Option B:** Transfer the death benefit to an RRSP or a RRIF she owns. **Option C:** Receive the death benefit as a cash payment.	The income ends. **Option A:** Carol can request a new lifetime guaranteed income to be calculated based on her age, sex, current market value and current minimum income rates.	A tax slip is issued to Tom reporting the greater of the market value of the contract on the date of death or the death benefit. **Options A and B:** Offsetting tax slips are issued to Carol for the tax-free transfer. This defers taxation of the transferred proceeds. **Option C:** If the final payment is greater than the amount reported to Tom, this increased amount is taxable to Carol.
Tom	Carol	Joint life	Tom	Carol has the following options: **Option A:** Transfer the proceeds (at current market value) and any existing benefits, intact, to a new RRSP Sun Life GIFs contract she owns, subject to administrative rules and applicable legislation. **Option B:** Transfer the death benefit to an RRSP or a RRIF she owns. **Option C:** Receive the death benefit as a cash payment.	**Option A:** Payments will continue unchanged in the new contract in Carol's name. **Options B and C:** The lifetime guaranteed income ends.	A tax slip is issued to Tom reporting the greater of the market value of the contract on the date of death or the death benefit. **Options A and B:** Offsetting tax slips are issued to Carol for the tax-free transfer. This defers taxation of the transferred proceeds. **Option C:** If the final payment is greater than the amount reported to Tom, this increased amount is taxable to Carol.

RRIF contracts

- For RRIF contracts, the owner and annuitant must be the same person.
- A spouse can be named as successor annuitant.
- If the annuitant's spouse is the successor annuitant, when the annuitant dies, the contract continues and they automatically become the owner of the contract and assume all ownership rights.
- If the spouse is named as successor annuitant, they don't need to be named as beneficiary.

RRIF (contracts without lifetime guaranteed income)

Owner/ annuitant	Successor annuitant	Beneficiary	Deceased	At death	Tax implications
Tom	Carol	John	Tom	Carol becomes the owner/annuitant of the contract. No death benefit is paid.	A tax slip in Tom's name will be issued reporting any amounts paid to him in that year before his death. Any remaining RRIF minimum will be paid to Tom's estate.
Tom	None	Carol	Tom	As there is no successor annuitant the contact ends. Carol can transfer the contract into a RRIF in her own name or take the death benefit in cash.	If Carol transfers the contract to her own RRIF: • there is no taxable event. If Carol takes cash: • A tax slip is issued to Tom reporting the greater of the market value of the contract on the date of death or the death benefit, and any payments made that year before his death. • If the cash payment on settlement is greater than the amount reported to Tom, this increased amount is taxable to Carol.

RRIF (contracts with lifetime guaranteed income)

Owner/ annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom	Carol	John	Single life	Tom	The income ends.	Carol becomes the owner/ annuitant of the contract. Carol may choose to receive a new lifetime guaranteed income based on her age, sex, the current market value of the contract and the current income rates.	Tax slips are issued to Tom reporting any amounts paid to him before his death.
Tom	Carol	John	Joint life	Tom	The income continues unchanged to Carol.	Carol becomes the owner/ annuitant of the contract.	Tax slips are issued to Tom reporting any amounts paid to him before his death. Tax slips are issued to Carol for all payments received after the date of death.

RRIF (contracts with lifetime guaranteed income) CONTINUED

Owner/ annuitant	Successor annuitant	Beneficiary	Income option	Deceased	Income at death	At death	Tax implications
Tom	None	Carol	Joint life	Tom	As Carol isn't the successor annuitant, the income ends.	As there is no successor annuitant the contact ends. Carol can transfer the contract into a RRIF in her own name or take the death benefit in cash.	If Carol transfers the contract to her own RRIF: • there is no taxable event. If Carol takes cash: • A tax slip is issued to Tom reporting the greater of the market value of the contract on the date of death or the death benefit, and any payments made that year before his death. • If the cash payment on settlement is greater than the amount reported to Tom, this increased amount is taxable to Carol.

Locked-in contracts

- Rules may vary for locked-in contracts based on the applicable pension law for each jurisdiction.
- A successor annuitant can't be named for locked-in contracts.
- The owner can name anyone as beneficiary of the contract: however, if the owner/annuitant has a spouse, they can name the spouse as beneficiary, which would allow the surviving spouse to transfer the value in the contract to their own contract tax-free, subject to pension law.
- Spousal entitlement may supersede any other beneficiary designation.
- For Sun GIF Solutions and Sun Lifetime Advantage GIF, if the client chooses the joint life income option, they should name the spouse as sole beneficiary. When the annuitant dies, the contract transfers to a new contract in the spouse's name with all the existing guarantees in place. If income has been elected, the payments will continue unchanged in the new contract.
- LIF contracts have a maximum annual payment amount prescribed under pension law. This amount could be less than the lifetime guaranteed income amount. If the lifetime guaranteed income amount is greater than this amount, the owner may have the option to receive the higher amount. The payment will become a life annuity and the contract will be subject to additional restrictions. Refer to the information folder and contract for details.

You can use RRSP and RRIF setups as basic guides for locked-in contracts. What happens at death is based on the jurisdiction and the corresponding pension law. Refer to the applicable pension addendum for further details.

For more information, please contact your Wealth Sales Team.

Clients should seek professional legal, accounting and taxation advice as required. The information in this document is for informational purposes only. It applies solely to Canadian segregated fund contract tax and legal considerations.

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