Estate Planning

Using segregated funds to protect the value of your estate

RBC Insurance

Product features and benefits

Your estate is the sum of your lifetime of hard work, smart investing and sensible financial planning. It is your greatest legacy to your loved ones. Estate planning allows you to protect the wealth you've accumulated over a lifetime while helping you better manage your family's financial future. Segregated funds offer the combination of growth potential and principal protection. Incorporating segregated funds in your estate planning can benefit you in two ways:

Capital preservation: The death benefit feature guarantees that your beneficiaries will receive a specific percentage of the value of your investment on the death of the person whose life is insured under the contract (known as the annuitant[1]), even if the market value of your investment goes down. It's a feature you won't find with any mutual fund or traditional stock or bond portfolio, and it's your reassurance that the inheritance you plan to leave for your loved ones will be there for them.

Bypassing probate: Naming a specific person as the beneficiary of your segregated funds will allow these assets to be paid without probate (the process by which a court formally approves a will as the valid and last testament of the deceased person). This can reduce costs to your estate and provide faster payment to the beneficiary.

Avoiding the costs of probate

Probate is often a lengthy, costly and public process. So not only will your beneficiaries end up with less money, but your financial and personal information will also become available to the public.

Since the money held within a segregated fund can bypass probate, proceeds will be paid directly and quickly to your named beneficiaries, saving them the time and costs involved in the probate process. And in most provinces, you do not need to disclose segregated funds in the probate process, so the disposition of these assets will stay private.[2]

The following table illustrates the estate planning advantages of segregated funds compared to mutual funds.

	Segregated Fund Contract	Mutual Fund Account
Original deposit to a balanced fund	$100,000	$100,000
Market value at the time of death[3]	$89,000	$90,000
Probate fees Executor's fees Legal and accounting fees	Avoided by naming specific beneficiaries	$1,000 $750 $3,000 Total $4,750
Death benefit top-up Series 1 75/100 guarantee	$11,000[4]	None
Amount paid to beneficiaries	$100,000	$85,250
Time before beneficiaries receive this amount	Weeks	Probate may take months

For illustration purposes only. This document is being provided for general information purposes only, and the contents should not be relied upon as containing specific financial, investment, tax or related advice. Client must seek their own independent advice. Costs are estimated for a segregated fund portfolio of $100,000 in the province of Ontario. Probate fees vary by province. Source for Ontario probate is the Estate Administration Tax Act, 1998 S.O., Chapter 34. The costs displayed represent a typical range for fees that may be incurred by clients using third-party assistance in managing their estate. This example assumes the only assets the client has are in segregated funds and the annuitant passes away one year after the deposit.

As you can see in this example, the financial benefits can be significant. Segregated funds provide several advantages over mutual funds:

- The death benefit is topped up to your guaranteed value.
- Named beneficiaries can receive over $14,000 more with a segregated fund than with a mutual fund, depending on the options chosen.
- Most importantly, they can receive their funds in a matter of weeks, when they need them most.

Estate planning benefits may vary by province.

Simplicity. Strength. Trust.

There is confidence in knowing that your assets are well invested and well protected. RBC® Guaranteed Investment Funds are a powerful investment solution to help you meet your needs.

To learn more on how RBC GIFs can be an effective estate planning solution to protect your financial future and the futures of your loved ones, speak with your advisor today.

RBC® Insurance

[1] Annuitant refers to the person on whose life the guarantees and annuity payments are based. Contractholder refers to the owner of the contract and may be different from the annuitant for non-registered contracts.

This summary has been prepared to help you make the most of investment opportunities available through RBC Guaranteed Investment Funds. Other summaries include The Benefits of Segregated Funds, Creditor Protection, Consumer Protection and Taxation. Please contact your advisor to obtain copies.

[2] If confidentiality is a specific concern regarding your segregated fund assets, you should verify the probate rules in your province with your estate advisor.

[3] Segregated fund fees are higher than mutual fund fees as they include a management fee and an insurance fee component.

[4] Original deposit minus market value at the time of death.

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

RBC Guaranteed Investment Funds are individual variable annuity contracts and are referred to as segregated funds. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. When clients deposit money in an RBC Guaranteed Investment Funds contract, they are not buying units of the mutual fund or portfolio managed by RBC Global Asset Management Inc. and therefore do not possess any of the rights and privileges of the unitholders of such funds. Details of the applicable Contract are contained in the RBC GIF Information Folder and Contract at rbcinsurance.com/segregatedfunds.

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