

Separation Agreements and Beneficiary Designations

When a couple has entered into a separation agreement, it is assumed all financial issues have been discussed. However, with registered plans and life insurance policies, this may not be the case. The Gaudio court case outlines the importance of reviewing any beneficiary designations upon relationship breakdown, to ensure each individual's wishes are achieved in conjunction with the separation agreement, particularly if the asset is not specifically addressed in the document.

Gaudio Estate v. Gaudio 2005, 14574 (OSC)

Francesco designated Debra as beneficiary of his RRSPs and group life insurance policy while they were married.

In October 2004, the couple amicably entered into a separation agreement. Debra released her entitlement to a share of her husband's estate and "purported to settle all claims between them."

Francesco died, January 10, 2005.

The court had to determine if the separation agreement had any effect on the designations in Francesco's RRSPs and life policy.



The judge determined the "deceased chose to leave the respondent as designated beneficiary in both the life insurance policy and the RRSPs," saying, "it is my duty to construe the words actually used by the deceased and not to

speculate as to what may have been in his mind. I find that the general boilerplate clauses in the separation agreement do not constitute a declaration of revocation in law with respect to the designated beneficiary in the assets in controversy. ... the respondent is entitled to the proceeds."

The judge looked at several factors, including the nature of Francesco and Debra's relationship, and whether he felt they had addressed their minds to the issue of the RRSPs and the life policy designations. He determined Francesco had decided to leave Debra as the designated beneficiary. The judge further found, "it is immaterial whether or not the insured left his insurance policy designation unchanged due to pure error or inadvertence."

Also with respect to the separation agreement, the judge stated, "the parties did not address their minds to the issue of changing the designated beneficiaries... In short, the intention of the parties with respect to changing the designated beneficiary to the assets in controversy is unclear and ambivalent."

The judge's decision that Debra was entitled to the proceeds of both the RRSPs and life insurance was upheld on appeal.

This court case demonstrates the importance of updating beneficiary designations, if necessary, to match the intent of a separation agreement.

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