

# Who will inherit your Registered Savings assets?



Live your dream.

Most of us think of our Registered Savings Plans as the money to fund our retirement. But what would happen to those savings if your Registered Savings became part of your estate? While there are many tax-effective ways to distribute registered assets, there are also certain rules that can trip you up.

**Tax-deferred rollover.** If you name your spouse or common-law spouse as the beneficiary of your Registered Savings, the assets can be rolled over with no immediate tax implications, and without affecting the surviving spouse's Registered Savings contribution limit.

By making the designation directly in the Registered Savings, the registered assets will not form part of your estate. As a result, they will not attract probate fees.

**Bequests to minor children.** Another tax-effective option is to leave Registered Savings assets to a financially dependent child or grandchild. If the child is a minor, the proceeds can be used to purchase a term-annuity to age 18. If the financially dependent child or grandchild is over 18, the proceeds will be included in his or her income.

If you have a financially dependent child or grandchild who is mentally or physically infirm, the proceeds can be transferred tax-free to his or her Registered Savings, or can be used to buy an annuity.

**Bequests to other family or friends.** If you plan to leave your Registered Savings to someone else, such as an adult child, sibling, or friend, the proceeds will be fully taxable upon death — and there may be implications for your other beneficiaries.

For example, if you name one of your adult children as beneficiary of your Registered Savings, the proceeds will go to that child but the tax liability will go to your estate. This might leave less money than you had

intended for the other children. One solution is to name your estate as beneficiary and leave a portion of the Registered Savings proceeds — such as the remainder after taxes and probate fees — to that child through your will.

**Bequests to charity.** If you want to leave your Registered Savings to charity, you can name your estate as Registered Savings beneficiary and leave instructions in your will that an amount equal to the value of the Registered Savings be transferred to one or more named charities. To offset the tax on the proceeds, your estate can claim a charitable donation tax credit.

Thanks to recent legislative changes, you can also make the designation directly in the Registered Savings and your estate can still claim the charitable donation tax credit.

**Preserving Registered Savings assets.** Naming a spouse or financially dependent child as beneficiary can defer or reduce taxes on your Registered Savings assets, but it can't eliminate the tax liability. Life insurance can be used to cover the taxes, preserve the full value of your Registered Savings assets, and assure an equitable inheritance for each family member.

Professional advice can help you plan Registered Savings bequests in a tax-effective way to meet your estate planning goals.

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To learn more about your Registered Savings Assets, or for a review of your retirement plan, contact:

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