

# Gifts of RRSPs & RRIFs

Saving for your retirement is becoming an essential part of a complete financial plan. However, your strategy should also consider what happens to your RRSP or RRIF when you pass away.

Upon your death, where a surviving spouse is a named beneficiary, these registered savings are transferred to his/her name without tax liability. However, where there is no surviving spouse (or disabled child) listed as the beneficiary, these accounts are deemed to be disposed of and 100% of the remaining balance is added to your income in the year of death. The tax liability resulting from this disposition will be borne by your estate on your final income tax return. If other income was earned in the year of death, this could easily be subject to tax at the highest marginal tax rate.

For many donors, an RRSP or RRIF plan will contribute significantly to income in the year of death. Since Canadians can now receive tax credits for charitable gifts of up to 100% of their income in the year of death (and retroactive one year) – it may make good sense to gift assets like these directly to charity through a beneficiary designation or a bequest gift in one's Will.

## FEATURES OF RRSP / RRIF GIFTS

- > Simple to arrange through a change in beneficiary or alternate beneficiary.
- > Naming a charity as beneficiary or alternate beneficiary is revocable (can be changed).
- > Estate is still liable for taxes due on disposition of the RRSP / RRIF.
- > Tax credits for donor's estate can effectively eliminate the taxes due on the disposition of the RRSP/RRIF on the final tax return of the deceased.
- > Gift not subject to probate fees.
- > CSS can be the beneficiary listed on the RRSP / RRIF and a Letter of Direction filed in the CSS office can direct how the gift is to be distributed.

## How it Works

There are two possible ways of using your RRSP or RRIF to make a charitable gift

- A. Make your estate the beneficiary of the RRSP or RRIF after your spouse's death, and have the estate donate an equivalent value to the charity. Your Will must specify a bequest gift to the charity that is equal to the value of the registered savings plan, either as a fixed dollar amount or as a percentage of the total estate.

# Gifts of RRSPs & RRIFs *...continued*

You may also gift the asset specifically by naming its account number and financial institution. If your spouse survives you, then your spouse's Will must provide for a similar bequest. A receipt will be issued to the estate to offset the tax on the registered savings payable by the estate.

Using this method, the asset is included in the estate and probate fees are payable on it. If you gift the asset by naming it specifically and subsequently change financial institutions, the gift will not occur. Donors might consider this option if they lack cash in the estate to pay the resulting taxes.

- B. Make your favourite charities or CSS the beneficiary or alternate beneficiary of your RRSP or RRIF. Upon your death, or that of your spouse, charity receives the balance of the asset directly from the financial institution. The estate receives tax credits for the charitable gift to offset the tax on income. Because the asset passes outside of the estate, no probate fees are payable on the asset, resulting in further savings for the estate.

Using this method, charities have no involvement in your estate and receive their gift in a timely fashion. Donors should ensure that there are sufficient liquid assets to pay the taxes on the resulting disposition.

## **Christian Stewardship Services can Help!**

Because of several possibilities surrounding gifts of RRSPs and RRIFs which have varying tax and estate planning implications, potential donors should consult the staff at Christian Stewardship Services and/or their own professional advisors before proceeding.

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