

# Do you want your spouse or common-law partner to inherit your RRSP, RRIF or TFSA?

## How to make it happen



**You can pass your RRSP, RRIF or TFSA to your spouse or common-law partner (CLP) upon your death by designating them as your beneficiary or by appointing a successor annuitant (RRIF) or successor holder (TFSA) on the contract.**

You will complete a designation or appointment form, as applicable, and your decision will remain in place until and unless you replace it with a later designation/appointment.

It is important to review the designations you've made in the event your marriage or common-law partnership dissolves, if you do not want your former spouse/CLP to receive the proceeds. Consider completing a new designation/appointment form in this situation, as well as in the event of the death of your spouse/CLP, or a future marriage or common-law partnership.

Following are some things to keep in mind when completing a designation/appointment, some options available to the spouse/CLP, and an overview of tax implications. If your registered plans are trusted by Concentra Trust, we have made pre-recorded webinars available providing comprehensive information, including details on completing the proper form for each situation.

### **Designated Beneficiary on an RRSP**

The annuitant may designate their spouse/CLP as beneficiary on an RRSP to receive the funds upon death of the annuitant. Unlike with a RRIF, there is no option to appoint a spouse/CLP as successor annuitant under an RRSP.

The spouse/CLP may receive the balance of the RRSP in cash or transfer all or a portion of the funds to an RRSP, RRIF, annuity, Pooled Registered Pension Plan (PRPP) or Saskatchewan Pension Plan (SPP). Where the spouse/CLP is the sole beneficiary and transfers all of the funds to an eligible plan, there are no tax consequences to the deceased or to the spouse/CLP.

If the annuitant had designated as beneficiary a spouse/CLP who is no longer the annuitant's spouse/CLP at the time of death, they would receive the funds in cash. They would not be permitted to transfer the funds to an RRSP, RRIF, annuity, PRPP or SPP. The value of the RRSP at date of death would be taxable to the deceased; any income earned after death would be taxable to the spouse/CLP.

### **Successor Annuitant vs. Designated Beneficiary on a RRIF**

Do you know the difference between appointing a spouse/CLP as successor annuitant on a RRIF vs. simply designating them as a beneficiary?

Appointing the spouse/CLP as **successor annuitant** is the most straightforward way of passing a RRIF to a spouse/CLP upon death and avoiding tax implications to both the deceased annuitant and their spouse/CLP. The RRIF contract continues intact in the name of the surviving spouse/CLP, subject to the same terms and conditions as before the original annuitant's death. Once the contract has been changed into the spouse/CLP's name, payments from the RRIF will continue to the spouse/CLP, or the spouse/CLP may choose to transfer the funds to another RRIF or RRSP in their own name.

If an annuitant designates their spouse/CLP as **beneficiary**, not successor annuitant, the spouse/CLP may receive the balance of the RRIF in cash or may transfer all or part to an RRSP, RRIF, annuity, PRPP or SPP. Where the spouse/CLP is the sole beneficiary and they transfer all of the funds to an eligible plan, there are no tax consequences to the deceased or to the spouse/CLP.

Distribution will differ if the individual appointed as successor annuitant is no longer the annuitant's spouse/CLP at the time of death, as they would not be eligible to become the successor annuitant and would have no entitlement to the funds. The funds would instead be payable to the alternate beneficiaries designated or, if none, to the deceased's estate. However, if that individual was the designated beneficiary at the time of death, they would still be eligible to receive the funds as cash. Either situation would result in the value of the RRIF contract at date of death being taxable to the deceased.

### Successor Holder vs. Designated Beneficiary on a TFSA

Similar to RRIF, there is a difference between appointing a spouse/CLP as successor holder vs. designating them as a beneficiary. As **successor holder** the spouse/CLP assumes ownership of the TFSA on death and the tax-sheltered status of those funds is maintained. The TFSA contract continues in the name of the surviving spouse/CLP, subject to the same terms and conditions as before the original holder's death. The amounts held in the TFSA will not affect the contribution room of the surviving spouse.

When a holder designates their spouse/CLP as **beneficiary**, not successor holder, the balance of the TFSA will be paid to the spouse/CLP. There are no tax implications to the holder; any income earned from date of death to date of payout is taxable to the spouse/CLP. Where eligible, the spouse/CLP is permitted to contribute amounts, not exceeding the value of the deceased holder's TFSA at date of death, to their own TFSA and designate the contribution as an exempt contribution. This allows the spouse/CLP to ensure the tax-free status of the funds without affecting their own contribution room.

If the individual appointed successor holder is no longer the annuitant's spouse/CLP at the time of death, they would not be eligible to become the successor holder and would have no entitlement to the funds. The funds would instead be payable to the alternate beneficiaries designated or, if none, to the deceased's estate. If that individual was the designated beneficiary at the time of death, they would still be eligible to receive the funds; however, would not be eligible to make an exempt contribution.

### How Concentra can help

If you offer RRSPs, RRIFs or TFSAs, our registered plans specialists can answer your questions about designations of beneficiary.

**For more information:** 1.800.788.6311 | [trust@concentra.ca](mailto:trust@concentra.ca) | [concentra.ca](http://concentra.ca)

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