GIFTS OF REGISTERED ASSETS

Registered retirement plan assets, such as **Registered Retirement Saving Plan (RRSP)** and **Registered Retirement Income Fund (RRIF)**, are one of the most heavily taxed estate assets to pass to heirs since the recipient is often taxed at the donor's highest marginal rate. Donors can make a direct designation of an RRSP or RRIF plan to a charity (except in Quebec where a beneficiary must be a person). Now, it is a **common estate planning technique to donate RSSP/RRIF assets to a charity to make a meaningful gift whilst simultaneously minimizing taxes upon death**.

How it Works: The donor names the charity as beneficiary on the registered plan. On the date of death of the donor (or in some cases, their spouse), the plan assets are valued for the donation tax receipt. This can be a portion of or the whole value of the plan. Like with life insurance proceeds where the charity is a beneficiary, the proceeds transfer directly to the charity, thereby avoiding probate.

Ideal Donor: Gifts of registered assets are appropriate for any committed donor with an RRSP/RRIF, regardless of age.
Note: Due to tax-free RSP rollover between spouses, this strategy may be most appropriate upon the death of the second spouse.

Tax Implications: The tax credit on the donor's final income tax return is based on the value of the proceeds transferred to the charity from the plan. The deceased donor can claim the gift up to 100% of net income in the final two tax years because: (1) The amount of the gift creditable on the final tax return is 100% of income (not 75% like when the donor is alive) and (2) There is a one-year carry-back if the gift is in-excess of 100% final year's income. If applicable to the donor's situation, the tax credit may also be applied to taxes owing from the estate.

Benefits:
- The donor maintains the full use of the account during their lifetime and any remaining balance is transferred to the designated beneficiaries on their passing.
- The gift is not subject to probate.
- Minimal paperwork is required to enact this strategy. It is as simple as signing a beneficiary form.

A couple of things to remember when donating RRSP/RRIF assets:

- The most recently signed documents normally overrule previous instructions, so it is important that the charity be named beneficiary on plan documents and that the arrangement is also referenced in the Will.
- A direct designation donation can be made to a Donor Advised Fund, like Benefaction.

Example - Donating RRSP/RRIF Assets

Mrs. C wants to help her favorite charity and wants to minimize her taxes at death. She has a RRIF worth $200,000. She lives in a province with high probate fees, and she has concerns that her heirs may try and disrupt her estate plans - especially if proceeds are paid to a charity. Her financial advisor recommends naming her charity as the beneficiary of her RRIF. Here is how it would look assuming the RRIF did not change in value.

	No Designation	Designation to Charity
Other Income	$250,000	$250,000
RRIF income	$200,000	$200,000
Taxable income	$450,000	$450,000
Income tax (45%)	($202,500)	($202,500)
Donation tax credit (45%)	n/a	$90,000
Taxes Paid	$202,500	$112,500
Tax Savings	n/a	$90,000

By naming the charity as a beneficiary, Mrs. C has made a donation of $200,000 to her favorite charity(ies), reduced her estimated tax bill by $90,000, reduced her probate costs, and ensured that her heirs cannot contest her intentions.

This article is not intended to convey tax and or legal advice and is for illustration purposes only. Anyone interested in the strategy should seek guidance from their financial and/or legal advisor before making a gift.