

Financial Insights

from Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

Spring Clean Your Beneficiary Designations

The idea of spring cleaning often connotes a daunting task. However, it doesn't have to be an all-consuming effort — even when it comes to your finances. Consider starting small by undertaking a review of your registered plan beneficiaries.

When was the last time you reviewed these beneficiary designations? We often may forget to revisit these designations after opening our accounts; however, failing to update beneficiaries can be one of the most common and potentially costly retirement and estate planning errors that investors can make.

Here are some steps you can take to spring clean your beneficiary designations, as it relates to your registered plan accounts:

- 1. Create a list of all of your investment accounts.** Then identify which accounts permit beneficiary designations, such as your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) and Tax-Free Savings Account (TFSA), including any accounts through your employer.
- 2. List the beneficiaries you have named for each account.**
- 3. Determine if the named beneficiary is still current.** It is possible that a named beneficiary is no longer alive, or perhaps a major life event, like divorce, has changed the status of an existing beneficiary. Be sure to revisit beneficiary designations following major life changes.
- 4. Consider whether a beneficiary should even be named.** If no beneficiary is named, assets will pass through your estate. In some cases, a beneficiary is named instead of the estate to avoid probate fees.¹ While this may be ideal for tax-planning purposes, it can inadvertently create other issues. For example, if an adult non-dependent child was named as the RRIF beneficiary, the value of the RRIF will be paid directly to them, but the tax burden will fall back to the deceased's estate, unless a provision has been made in the will. This may cause unintended estate equalization issues.



- 5. If a spouse (common-law partner) has been named, determine if there are additional considerations.** If a spouse is named as beneficiary for a TFSA or RRIF, consider that you also have the option of naming them as "successor holder" or "successor annuitant," respectively. Generally, the successor designation permits the continued operation of the account by the surviving spouse relatively seamlessly. For the TFSA, any income earned after your death would not be taxed. For the RRIF, there would be no tax consequences to your estate.

Plan Ahead

We are here to assist with any changes to your beneficiary designations on your registered plan accounts. As you review beneficiary designations, we recommend considering the support of estate planning and legal advisors to help ensure your estate planning objectives will be met.

¹ Estate administration taxes. Note: This article does not apply to Quebec residents, as the rules surrounding beneficiary designations noted in this article are not applicable under Quebec law.



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