FOUNDATION
for Niagara & Hamilton area Christian Schools

Using your RRSP/RRIF in Planned Giving

Saving for your retirement through a Registered Retirement Savings Plan (RRSP) is one important component of a complete financial plan. Your plan should also consider what happens to your RRSP or RRIF (Registered Retirement Income Fund) when you pass away.

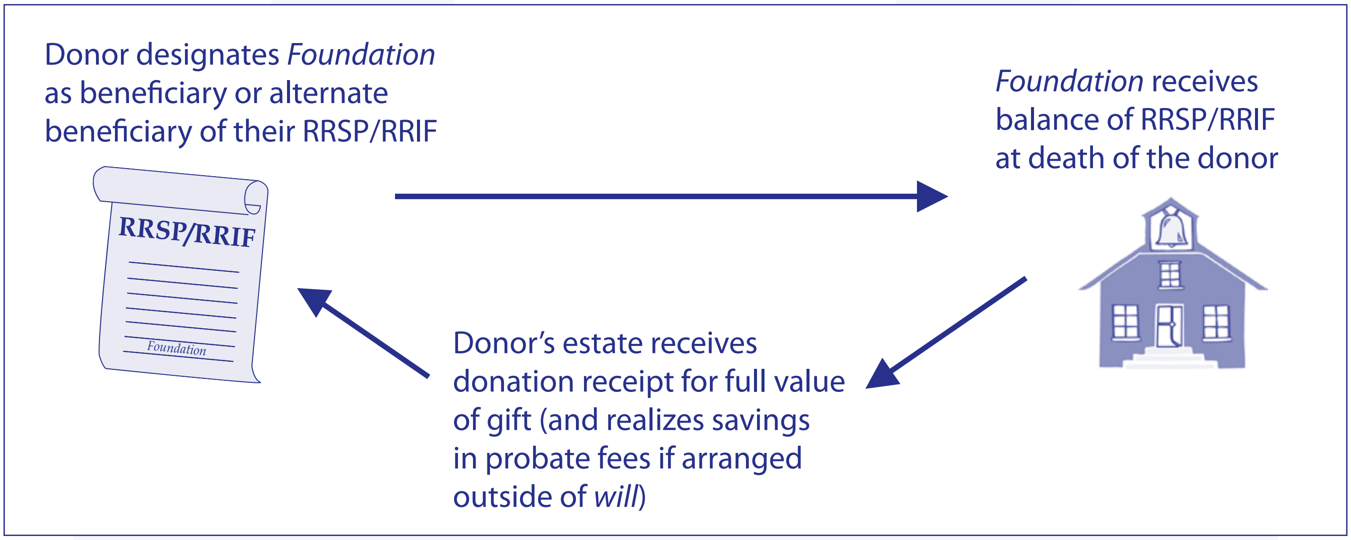
Common misperception: *"I thought my RRSP funds – or at least the accumulated interest earnings – were tax free"*

Upon your death, where a surviving spouse (or eligible dependant child) is not named as beneficiary, these registered assets are deemed to be disposed of and **100% of the balance is added to your income** (in the year of death). The tax liability resulting from this disposition will be born by your estate. If other income was earned prior to death, these registered assets could easily be subject to tax at the highest marginal tax rate (i.e. **on a $400,000 RRSP or RRIF portfolio, approximately $200,000 in tax will be collected by Ottawa**).

Wouldn't you rather see our member Christian schools benefit from what would otherwise be due in tax?

Features of RRSP/RRIF gifts:

- simple to arrange through a change in beneficiary (or alternate beneficiary)
- the gift is revocable - donor retains option to make changes
- generous tax credits for donor's estate
- gift not subject to probate if gifted outside of *will*



How it works

For most donors, an *RRSP* or *RRIF* will add 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 retroactively to the year preceding), it often makes good estate planning sense to gift assets like these directly to our *Foundation* through a beneficiary (or alternate beneficiary) or a specific bequest gift in your *will*. There are two basic ways to use your *RRSP* or *RRIF* to make a charitable gift.

- **Name your estate the beneficiary of your *RRSP* or *RRIF* after your spouse (or eligible dependant child), and have the estate donate an equivalent value to the *Foundation*.** Your *will* must include a specific bequest to the *Foundation* that is equal to the value of the *RRSP* or *RRIF,* either as a fixed dollar amount or as a percentage of the total estate. You may also gift the asset specifically by naming its account number and financial institution. If your spouse survives you, then the spouse's *will* must provide for a similar bequest. A donation receipt will be issued to the estate to offset the taxable income from the registered funds.

  > Using this method, the asset is included in the estate and probate fees of approximately 2% are payable on the full amount. If you gift the asset specifically and subsequently change financial institutions but fail to update your *will*, the gift will not occur.

- **Name the *Foundation* as the beneficiary (or alternate beneficiary) on your *RRSP* or *RRIF* documents with the financial institution.** Upon your death, or that of your spouse, the *Foundation* receives the balance of the assets directly from the financial institution. The estate receives a tax receipt from the *Foundation* to offset the taxable income. Because the asset passes outside of the *will* (or estate), no probate fees are payable, resulting in further savings for the estate.

  > Using this method, the *Foundation* receives your gift in a more timely fashion and as a result, your gift begins to benefit the schools almost immediately.

Conclusion

Gifting with an *RRSP* or *RRIF* comes with varying tax and estate planning implications. Before proceeding, please consult the Executive Director of our *Foundation* and/or your own professional advisor.

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