Gifting A Registered Account

Spouses can name one another as beneficiaries of their registered accounts.

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Donors wishing to leave the residual capital in their registered accounts to charity have two alternative strategies to consider. The first is to name the donor’s estate as the beneficiary of the remaining capital in their RRSP, RRIF or TFSA and include a specific charitable bequest in the donor’s Will.

It should be noted that, unlike other forms of gifting, bequests are subject to normal issues of the estate process including claims by creditors, legal, executor and administration costs, tax liabilities, succession laws and claims against the estate by family members. Also charitable bequests may be subject to probate along with the rest of the estate making your gift a matter of public record. The result may be that the gifting wishes of the donor are only carried out in part or not at all as a result of issues related to the estate.

The second strategy is to name one or more charities as the beneficiary of the residual balance of the donor’s registered account prior to the donor’s death. However most registered account providers limit the number of beneficiaries that can be named on a single account. Upon the donor’s death the residual capital flows directly to the named charity or charities by-passing the donor’s estate thus avoiding all estate related issues.

In both cases the donor has full access to all the assets of the registered accounts until their death.

Gifting a Registered Account

As with many types of charitable gifting, donors often have concerns about future cash requirements during their lifetimes and that of their spouses. Spouses can name one another as beneficiaries of their registered accounts (RRSPs, RRIFs & TFSAs) and the assets will transfer on a tax deferred basis. However, the estates of surviving spouses and singles must pay taxes on all remaining amounts in their registered accounts upon passing. One option to minimize the taxes for the estate while maximizing a donor’s charitable legacy is to consider gifting a registered account to charity.
Donors wishing to avoid having their charitable gift subject to probate and other estate issues while receiving income from their registered accounts for life can name Gift Funds Canada (GFC) as the designated beneficiary and have any residual capital placed in a Donor Advised Fund (DAF) upon their passing. Donation receipts will be issued once the residual amount has been received by GFC offsetting any taxes payable on the proceeds of the registered account. In accordance with the donor’s instructions, which can be updated at any time during the donor’s life, GFC will open a Donor Advised Fund and make grants that will help fulfill a lasting philanthropic legacy for generations to come.

While there is limited ability to name multiple beneficiaries on registered accounts a Donor Advised Fund offers donors the opportunity and flexibility to direct charitable grants to an unlimited number of charities over time.

A donor has the opportunity to leverage the income from their RRSP or RRIF with life insurance to leave a significant gift upon their death.
A Gift of Life Insurance

By using some or all of the regular income from the donor’s registered account to purchase a life insurance policy and making GFC the owner of the policy, the premiums paid to support the policy become tax deductible. The proceeds from the policy would be paid directly to GFC outside of the donor’s estate upon their passing. The donor would leave instructions with GFC regarding recommendations on the future granting of funds.

In the case where the donor retains ownership of the policy and names GFC as the beneficiary, the cost of premiums would not be deductible however a donation receipt would be issued to the donor’s estate for the full amount of the proceeds upon receipt.
To preserve your family’s inheritance, a donor can also name a charity the beneficiary of a registered account while simultaneously purchasing wealth replacement insurance that would be paid directly to the donor’s heirs upon the death of the donor. In this case the residual proceeds of the registered account would go directly to the designated charity by-passing probate. A donation receipt would be issued offsetting tax liabilities. The life insurance proceeds would go directly to the donor’s heirs tax-free upon the death of the donor without passing through the donor’s estate.

**A Gift of a Registered Account to a Donor Advised Fund During the Donor’s Lifetime.** A donor not requiring the income from their Registered Account may consider gifting the capital to a Donor Advised Fund during their lifetime. The donor would have rights to identify a preferred asset manager and make grant recommendations to qualified organizations for the fund’s assets. A donation receipt would be issued at the time of making the donation to their DAF that would be applied to reducing the tax liability resulting from cashing out their registered account (RRSP & RRIF).

Donors wishing to gift their registered account assets during their life and who are in possession of appreciated securities may choose to donate the appreciated securities to charity while withdrawing an equal amount of cash from their RRSP or RRIF. The capital gains tax liability on the gifted securities is eliminated and the resulting donation receipt for the fair market value of the donated securities will fully offset the tax liability attributed to funds withdrawn from the registered account.
For further information or to discuss establishing your own Donor Advised Fund, please contact us at:

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