

Beneficiary designations

One of the important benefits of a group RRSP is that it allows you to choose who investments will be transferred to when you die.

Members can designate their estate, spouse, children, other individuals or organizations such as charities. More than one beneficiary can be chosen, but the percentage of distribution must be clearly indicated on the enrolment or change form. Without a complete designation, RRSP, NRSP and RRIF assets might be subject to the public probate process, whereby assets are gathered up, inventoried, debts are paid off, and any remaining assets are distributed.

Where Quebec law applies a married or civil union spouse is considered irrevocable unless designated revocable.

It's always advisable to consult an estate planner or seek legal advice when designating a beneficiary and appointing a trustee (if required).

Important RRSP beneficiary definitions

Preferred beneficiary

A spouse, parent, child or grandchild is considered a "preferred beneficiary." If a preferred beneficiary is designated, the benefit may be protected from creditors. For this reason it's important you specify your relation to the beneficiary on the enrolment form.

If the beneficiary is a minor, it's generally a good idea to also name an adult who will receive the funds on behalf of the minor.

Primary beneficiary

The "primary beneficiary" is the person(s) who is the first choice to receive the death benefit. You can appoint two or more primary beneficiaries (e.g., my sister Sue 50%, my grandmother Marcy 50%).

Contingent beneficiary

A "contingent beneficiary" can be named in case all of the primary beneficiaries die before or at the same time as the insured.

Important TFSA beneficiary definitions

Successor holder

TFSA legislation allows you to name a "successor holder" (only your spouse or common-law partner) who will inherit your TFSA at the time of your death. Naming a successor holder is effective in ensuring that income earned after your death isn't taxed.

When a successor holder is named, your TFSA won't terminate on your death: your successor simply replaces you as the account holder. Please note that the TFSA will move to another financial institution, unless the successor is already a member of the CEIRP. This transaction doesn't impact spouse or common-law partner TFSA room.



Beneficiary - spouse or common-law partner

If desired, the proceeds of your TFSA can be paid directly into your spouse or common-law partner's TFSA as "an exempt contribution" before Dec. 31 of the year following death without impacting their contribution room. Any growth in the TFSA that occurred after death and before the transfer will be taxed as income to the beneficiary. Consult an estate planner for more information.

Beneficiary - other than spouse or common-law partner

The TFSA will be collapsed and paid to the beneficiary as cash. Consult an estate planner for more information.

Beneficiary designations can be made using a beneficiary change form. All forms can be obtained by visiting www.grsaccess.com or calling Great-West Life at 1-800-724-3402.

