Life Events

Death of a Loved One

Transfer of Assets

If your spouse passes away his or her assets will need to be distributed to you and any other beneficiaries. Different rules apply to different types of assets.

Registered Retirement Savings Plans

If your spouse held RRSPs, a Refund of Premiums representing the value of the investments in the RRSP can be transferred to you on a tax sheltered basis. You can choose to:

- Transfer the funds to an RRSP
- Transfer the funds to a RRIF
- Transfer the funds to a registered annuity with an insurance company

Annuities

If your spouse had an annuity when he/she died that was a term annuity and you were named as the successor annuitant, you will begin to receive the remaining payments.

Registered Retirement Income Funds

If your spouse had money in a RRIF, the value of the remaining amount in the RRIF can be paid to you as a Designated Benefit. The funds can be received tax sheltered by either:

- Transferring the funds to another tax-sheltered plan such as a RRIF or an RRSP (if you are 71 or younger)
- Taking over the RRIF assets. You will then start receiving the payments and be responsible for paying tax on the yearly withdrawals
- Using the funds to purchase an annuity

Deferred Profit Sharing Plan (DPSP)

As with other registered plans, if your spouse had a DPSP when he/she died the proceeds of the plan can be transferred on a tax free basis into one of the following in your name:

- RRSP
- RRIF
- Registered Pension Plan (if the plan permits)

Non-Registered Assets

If your spouse held non-registered assets at death there will probably be opportunities to transfer or 'rollover' those assets to you without immediate tax implications. Under the spousal rollover rules all assets can be transferred to you without immediate tax consequences.

Real Estate

If your property is registered in joint tenancy with right of survivorship (meaning both spouses are equal owners) on the death of your spouse, you automatically assume full ownership of the property. This will reduce probate fees.

Non-Spouse Death

If the person who passes away isn't a spouse, taxation rules are handled differently. As described above, there are special tax rules that allow for the tax-free transfer of assets to a surviving spouse. Different rules apply where the deceased does not have a surviving spouse. Under tax law, death will result in a deemed disposition of all assets at Fair Market Value and they will be tax payable unless there is a surviving spouse and in a more limited sense, where there are surviving minor children or adult children with a disability.

Taxes on Death

The proceeds of a person's estate cannot be distributed to beneficiaries until all estate debts have been paid and tax is usually the largest debt. This can present difficulties if there is not enough cash in the estate to satisfy the tax bill which may mean selling estate assets. Where there are non-registered assets such as real estate there may be capital gains that arise and where there are registered assets such as RRSPs or RRIFs, the full market values will be taxed. Consequently, the beneficiaries may not receive what the deceased intended. In the case of a family home, the Principal Residence Exemption will often serve to protect any of the gains from tax.

Probate

Probate fees are the provincial/territorial death taxes levied on the value of a deceased's estate. Although taxes cannot be avoided, there are ways to avoid or reduce probate fees by having assets pass outside the estate such as having a named beneficiary on registered funds such as RRSPs and life insurance. Having assets registered in Joint Tenancy will also result in assets passing outside the estate.