

What's on Your Mind?

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What's in a Name?

Did you know that not naming a beneficiary can cost your estate extra taxes on your death? Anytime you do not name a beneficiary on your registered plans you are adding to the probate taxes payable on death. Not only would your estate have more taxes to pay but if your will is challenged, this money could get tied up for years sitting in limbo.

Most people have a named beneficiary on their insurance policies. So why doesn't everyone have a named beneficiary on their registered plans? I see situations where it is overlooked, especially on group plans at work. Until I get to review a group plan with a client, they were not even aware they had no beneficiary named. I have also seen this happen at registered plans at the bank.

Sometimes people are unsure who to leave their money to when they do not have a spouse, partner, children or close relatives. This is no excuse. There are charities that could benefit from this money or close friends you could name. What you need to know is your beneficiary could change anytime your circumstances change, so naming someone is better than not naming anyone. Anytime you change your mind about who you named, it can be changed with your financial institution or the benefits people at work that administers your group plan.

Naming your estate as beneficiary on your registered plans automatically add to the taxes your estate will pay.

You can name more than one person on any of your registered plans. So where should you have a named beneficiary? The following is some of the more common places: group plans at work including retirement plans, TFSA and DPSP; registered plans at financial institution which include, retirement savings plans (RSP), locked in retirement accounts (LIRA) and tax free savings accounts (TFSA). There are other registered accounts such as LIF, RIF, etc. that should also have a named beneficiary. Most plans with an insurance company allow for a named beneficiary as well.

You cannot name a beneficiary on non-registered investment accounts; bank accounts etc. If you have a segregated account with an insurance that is non-registered, they will allow a named beneficiary because of the insurance wrapper the product has.

If you do not want to pay any more taxes than you actually have to on your estate, you may want to review all registered plans you have. Ensure you have a named beneficiary wherever possible because having a name does matter.

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