



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

Phone: 604 980-6227 or 1-800-432-9707

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Creditor Proof Your RRSP Beneficiary Designations Protect Your Retirement Funds

Beneficiary Designations

For many people, one of their most valuable assets is their RRSP funds. Therefore, protecting these funds against creditors is an extremely important consideration.

In previous *Johnstone's Journals*, we have talked about the importance of designating a beneficiary for your life insurance, and not simply leaving the proceeds to your estate. As with your life insurance, the way to protect your RRSP from your creditors after your death is to name a beneficiary. When you name a beneficiary, the money from your RRSP flows directly to that person; in most cases it cannot be touched by creditors, and is free from any liabilities of the estate.

An estate can become a beneficiary by formally designating it, or by just leaving the beneficiary designation blank. If you do not name a beneficiary, the money in your RRSP will flow to your estate. It is not protected from creditors or claims by the Canada Revenue Agency.

Insurance Legislation Protects Funds

RRSP investments with a life insurance company (for example through a group RRSP) have long enjoyed creditor protection **if the beneficiary is designated**. This is because RRSPs through a life insurance company are considered a type of pension, and are governed under the Insurance Act and not the Bank Act. The Insurance Act specifically protects the interests of pension monies (including RRSPs) and beneficiaries from creditors.

Now is a Good Time to Review

The idea is to keep your RRSP proceeds outside of your estate, so that the people who are important to you keep as much of your money as possible. Income taxes, estate administration taxes, capital gain taxes and creditors can all eat away at the proceeds. Here are some steps you can take to protect your assets:

- Designate a beneficiary for your RRSP—it's simple to do.
- Find out who is currently named as the beneficiary to your RRSPs and insurance policies. Many people are surprised to discover that either no one is named, or someone they named long ago—and who is no longer appropriate—is still the beneficiary.
- Review your RRSPs and insurance policies periodically to make sure the beneficiaries are kept up to date and reflect your current wishes.
- Always designate the beneficiary on all RRSPs and insurance policies, and keep proof of this designation in your records. Making the designation on each policy guarantees a smooth and undisputed transfer of funds to the beneficiary.

As we move in to 2014, we also move into RRSP season. Note the deadline to make contributions to your 2013 tax year is March 3rd, 2014. As you consider contributing to your RRSP, make a point of reviewing the beneficiaries for all your RRSPs and life insurance products.

Did you know Johnstone's Benefits provides group RRSPs to clients of any size? Also known as Capital Accumulation Plans (CAP), group retirement plans have significant advantages for both employers and employees. Call us to see how Johnstone's Benefits can help you design a plan that meets your needs.