Gifts of Retirement Funds, such as RRSPs and RRIFs

Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs) and Tax-Free Savings Accounts (TFSAs) offer beneficial ways to give back to your favourite causes while still providing for loved ones.

Making a legacy gift with retirement funds is easy—simply request the beneficiary forms from your broker or bank, and name The Winnipeg Foundation as the beneficiary. Then let us know so we can thank you and ensure your gift is used as you wish.

Tax benefits

Registered funds are often subject to significant tax, as they are brought fully into income and, depending on other income in the year, may be subject to tax at the highest marginal rate of almost 50%. Naming The Winnipeg Foundation, rather than your estate, as a beneficiary of all or part of these funds entitles your estate to a tax receipt equal to the amount of the gift, generating a tax credit for your estate and preserving the value of funds for distribution to your other heirs. Retirement funds that are designated directly to a beneficiary including The Winnipeg Foundation and not directed to your estate are also not subject to probate fees or a waiting period.

Sample Case Study

With the death of his wife, William (age 74) is now reviewing his estate plan. He would like to establish a fund in honour of his late wife, Clara, at The Winnipeg Foundation to benefit their favourite causes, while still providing for his two children. Since he has other assets including a home, cash and investments, he knows he may comfortably take care of both his children and his community.

Upon his death, William's estate assets and income will put him in a marginal tax bracket of approximately 46.4%. He wants to ensure he makes his gift as tax efficiently as possible.

Illustration #1 – No Charitable Gift

Value of retirement plan	$100,000
Income tax due	-$46,000
Balance remaining	$53,600
Net distribution to children	$53,600
Total taxes paid	46.4% ($46,400/$100,000)
Total to children as a percentage of plan assets	53.6% ($53,600/$100,000)

THE WINNIPEG FOUNDATION
1350 One Lombard Place Winnipeg, MB R3B 0X3 | 204.944.9474 | tf: 1.877.974.3631 f: 204.942.2987 | info@wpgfdn.org | wpgfdn.org

Illustration #2 – Gift of Retirement Plan to The Winnipeg Foundation
William, believing he has sufficient other assets to provide for his children, names The William and Clara Watson Fund at The Winnipeg Foundation as the sole beneficiary of his retirement plan, using the forms supplied by his plan providers. This process helps him avoid paying any income tax on the assets when they pass to his family fund, because the tax is completely offset by a charitable donation tax credit. This gift also allows him to honour his wife and their shared charitable causes with a large legacy gift.

Value of retirement plan	$100,000
Income Tax due	-$46,400
Offsetting charitable tax credit from gift	+$46,400
Balance of Retirement Plan to Wpg Foundation	$100,000
Total taxes paid as a percentage of plan asset	0.0%
Total to Wpg Foundation as a percentage of plan asset	100.0%

Illustration #3 – Gift of 50% of Retirement Plan to The Winnipeg Foundation
William names The William and Clara Watson Fund at The Winnipeg Foundation as the beneficiary of 50% of his retirement plan, using the forms supplied by his plan providers, with the balance of his retirement plan being designated to his Estate. He and his advisors can calculate a number of illustrations to achieve the balance between his children, The Foundation, and the Canada Revenue Agency with which he is comfortable.

Value of retirement plan	$100,000
Income Tax due	-$46,400
Offsetting charitable tax credit from gift	+$23,200
50% of Retirement Plan to Wpg Foundation	$50,000
Balance of Retirement Plan (net of tax) to children	$26,800
Total taxes paid as a percentage of plan asset	23.2%
"Net Cost" to children of $50,000 Foundation gift	$26,800

For more information about making a charitable gift with your retirement funds, please contact us at:

The Winnipeg Foundation
1350 One Lombard Place Winnipeg MB R3B 0X3
204.944.9474 (Toll free 1.877.974.3631)
donorservices@wpgfdn.org

NOTE TO READER: The purpose of this publication is to provide general information, not to render legal advice. The Winnipeg Foundation does not provide tax or legal advice. We encourage you to consult with your professional advisors when planning your gift.

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