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WILLS, ESTATES AND TRUSTS

RRSP Designations Within An Estate Plan

There are two common ways to designate a beneficiary of your registered plan:

1. On the application form for the plan. This method allows for quick transfer of the plan benefits to the beneficiary upon your death. It also means that your estate will not have to pay probate fees on the value of the RRSP.

2. In your will. However, caution is warranted here.

(a) If your will is ever revoked (by a subsequent will, or a marriage, for example), then the beneficiary designation would also be revoked and any original beneficiary designation made on the plan application is not

automatically reinstated. In turn, the RRSP may fall into your estate, resulting in probate fees and unintended beneficiaries and/or claimants (such as creditors) sharing in the RRSP.

(b) It is important to notify the plan administrator of a new designation made in your will, otherwise you risk having the proceeds paid according to its records. You should also advise the person preparing your will about the identity of the RRSP beneficiary and "revisit" your paperwork on a regular basis. This will avoid problems resulting from inconsistencies between your will and any RRSP beneficiary designations.

It may be beneficial to name your estate as beneficiary of your RRSP when: (1) you want beneficiaries to receive unequal shares of your RRSP; (2) the plan assets are to be held in trust for the beneficiary; (3) all beneficiaries are to share the tax burden arising from the RRSP; and (4) a beneficiary is to meet certain conditions to receive the RRSP.

As provincial law governing the disposition of assets on death is constantly changing, be sure to speak to a lawyer in your province about your beneficiary designations, particularly if you're making a designation outside the plan application.





Before changing lenders, it's wise to seek, knock and ask...

I've seen a few clients lately who were very surprised at their mortgage payout statement. Unfortunately, the penalty on payout for one couple was a staggering \$20,000! Here are some tips to consider before you decide to change lenders in the middle of a term:



1. Call your current lender's customer service and tell them you are considering closing out your mortgage account with them. Tell them you need to know what your penalty, administration and other fees would be – make sure to say you want to know **all** the costs and how they are calculated. If possible, get it in writing from them.
2. Ask what they would offer to keep your business – Can they waive the penalty or other fees? What would the new rate be? What would the rate be if you were to pay the penalty and get a new mortgage? Don't commit until you have more information from other lenders or brokers.
3. Talk to a mortgage broker and give them the information your lender

- provides. Ask the broker to explain, in detail, how the product they offer would be better for you financially.
4. If you are in the middle of your current mortgage term and purchase a new property, ask your lender if it is possible to port the mortgage or increase the amount and blend the rate with a new mortgage to avoid penalties and costs.

5. With a new mortgage, always ask what costs would be applied if you were to close out the mortgage early and how any penalty would be calculated.

It's always best to *seek* information, *knock* on the door of your current lender and *ask* lots of questions. Ask your lender or broker if there are any other questions you should ask.

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