



TAX ALERT

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TAX ALERT is a synopsis commentary on topics of special interest – usually topics relating to recent changes in the law, administrative practices or interpretations by taxation authorities. Professional advice should be obtained before acting on any of this information.

RRSP/RRIF LOSS AFTER DEATH

If the total value of RRSP or RRIF distributions (in 2009 or later years) to beneficiaries after the death of a plan holder are less than the value of the plan at the time of death, the difference can be claimed as a loss on the final return of the deceased taxpayer. The distributions must take place in 2009 or later years and before the end of the first year after death. The RRSP or RRIF must not hold any non-qualified investments.

In this case, the financial institution that manages the RRSP/RRIF funds will issue Form RC249 Post-Death Decline in the Value of an Unmatured RRSP or RRIF – Final Distribution. On receiving the form, the deceased's legal representative should write to CRA, include the RC249 form and ask for an adjustment to the final return.

Since RRSP income included in a deceased's final return will almost always be taxed at the highest marginal rate of 46%, claiming the deduction is well worthwhile and should not be overlooked. For taxpayers who passed away in the latter part of 2008 and the distribution to beneficiaries was made in 2009, a substantial deduction should be available in almost every case. Executors should pay close attention – a 20% decline in a say \$400,000 RRSP would give a tax refund of about \$36,000.

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