

August 2019

What Happens to My TFSA When I Die?

By Clinton Orr

The Tax Free Savings Account (TFSA) was introduced by the federal government in 2009. Since then the contribution room has increased and the TFSA has become an integral part of many folks' savings and investment plan. The TFSA is a very flexible and tax efficient account. After 10 years we are familiar with most aspects of a TFSA, there are, however, a few details that are still a little hazy. In this article we will try to clarify what happens to your TFSA when you pass away.

Unfortunately, there is not an easy and simple answer. There are a few factors that influence what happens to the money in your TFSA when you die. When you open a TFSA you can designate a successor holder, you can designate a beneficiary or simply leave the money to your estate.

Only a spouse can be named as successor holder. If you are leaving your TFSA to your spouse a successor holder designation is preferred. Most financial firms, as a default, will use this designation. When you pass away, if you designated your spouse as a successor holder, the full value of your TFSA will transfer to them. The money will not pass through your estate, there will be no probate fees and there will not be any tax. If your spouse already has a TFSA they can add the inheritance to their TFSA as an exempt contribution, it will not impact their contribution room. If you designate your spouse as a successor holder your TFSA just rolls over to them, essentially the TFSA just moves over to a TFSA in their name.

It is your TFSA you can leave it to whoever you'd like. Only your spouse can be listed as a successor holder, anyone else will be designated as a beneficiary. If you designate a beneficiary what happens to the money in the account when you pass away is a little different. The money will bypass your estate, there will not be any probate fees nor will there be any tax. The beneficiary will receive the cash; however, they will only be able to add the money to their TFSA if they have the contribution room.

Clinton Orr

**Vice President, Investment Advisor
& Portfolio Manager**

T: 204.259.2860

Beausejour: 204.205.0101

corr@cgf.com

Kevin Becker

**Investment Advisor &
Portfolio Manager**

T: 204.259.2863

TF: 1.877.259.2888

kbecker@cgf.com

Alicia Roache

**Investment Advisor Assistant
(Licensed)**

T: 204.259.2851

asroache@cgf.com

Maricar Irwin

Investment Associate

T: 204.259.2861

mirwin@cgf.com

Adam Buss

Wealth & Estate Planning Specialist

T: 204.259.2865

abuss@cgf.com



**Canaccord Genuity
Wealth Management**

1010-201 Portage Avenue,
Winnipeg, MB R3B 3K6

beckerorr.com



Unlike a successor holder the TFSA cannot simply roll over to them. As well the beneficiary can only receive the fair market value of the account as of the date of death tax free, any additional amount will be taxed. As an example, imagine your father designated you as a beneficiary of his TFSA. The day he passed away the market value of the TFSA was \$40,000. It took a month for the paperwork to be processed, and during that time the investments in the TFSA grew. By the time the money was ready to be distributed the value was \$41,000. As a beneficiary you would receive \$40,000 tax free. The \$1,000 of growth since the date of death would be paid to you, however it would be taxed. You would receive a T4A slip listing the \$1,000 as income and you would have to pay tax on that money. This is not the case for a successor holder, when the TFSA rolls over to them, they get the full value tax free.

If you do not designate a successor holder or a beneficiary, but simply leave your TFSA to your estate, when you pass away the money in your TFSA will be paid to your estate. Since the money is part of your estate probate fees will have to be paid and then the money will be distributed according to your will. Similar to the example above, the value of your TFSA as of the date of death is tax free, but any growth in the account after the date of death will be taxable.

It is important to review your TFSAs and ensure they are properly set up and work with your overall estate plan.

Clinton Orr B.Comm (hons.), CIM, CFP, DMS, FMA lives in Beausejour and is a vice president and portfolio manager with Canaccord Genuity Wealth Management.



CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.

The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.

Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY