

TAX ALERT



TAX ALERT is a commentary on topics of current interest – usually topics relating to recent changes in tax law, new CRA administrative practices or current interpretations arising from tax cases. 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 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 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.

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