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Posted by [grownups](#) on Nov 29, 2011 | [0 comments](#)



RRIF vs Family Cottage – tough choices for your Will

by: [Rona Birenbaum CFP](#)

Q: I am a widow, and have decided to update my Will. After a discussion with my two children I discovered that only one of them is interested in inheriting the family cottage. My RRIF is worth about the same amount as the cottage. So my plan is to designate one child as the beneficiary of my RRIF, and the other child will get the cottage through the Will. Does this sound like a good approach?

A: Discussing your estate plan with your children was an excellent first step. That being said, your approach to distributing your estate may have some unintended implications.

Your child who is named beneficiary of your RRIF will receive the full value of the RRIF and the asset will by-pass probate entirely. Your RRIF will experience a “deemed disposition”, which means that CRA assumes that it was liquidated the day before your death. Your estate will bear the tax burden, not the RRIF account. So that means if the cottage is the only material asset in the estate, there will not be funds available in the estate to pay the tax. The tax will be upwards of 46% of the value of the RRIF depending on the size of the account.

There will also be a deemed disposition on the cottage as well, which may or may not have tax implications. That depends on whether or not it is designated your principal residence for tax purposes.

My bottom line message for you is to get experienced legal and financial advice as it relates to your estate plan. You will be made aware of the most tax efficient means of passing on your estate while reducing the risk of disputes between intended beneficiaries.