

Do you know what happens to your accounts when you die?

Ownership type and designation have major implications for what happens to accounts upon death. We break down what you need to know about the disposition of deposit, non-registered investment accounts and registered investment accounts, from a succession and income tax perspective.

Many Canadians have multiple accounts: chequing and savings accounts, non-registered investment accounts, and registered investment accounts. From an ownership perspective, property may be held in sole name, jointly¹ (joint tenants with a right of survivorship), tenants in common and 'in trust for', as well as by way of various legal entities. As individuals undertake an estate plan, it may be helpful to understand what may happen to their various accounts when they die.

We recommend that you consult with your trusted team – financial, tax, legal and estate advisors – and the financial institutions where your accounts are held, when reviewing or arranging your financial affairs.

The chart below includes a description of the account (Account type), the nature of the ownership (Ownership type), how the account will be handled from a succession perspective (Succession) and from an income tax perspective (Income tax) following the death of an account owner. The outcomes, from a succession perspective, are guided by the succession law within the jurisdiction where the individual resides. The outcomes, from an income tax perspective, are guided by the *Income Tax Act* (Canada) and the income tax law that applies to the provincial or territorial jurisdiction where the individual is resident for income tax purposes.

The following appendices include a small sample of the multitude of potential account and ownership type scenarios and includes some information about what may happen when you die:

| Account type | Ownership type | Succession ² | Income tax |
|-----------------------|----------------|--|---|
| Bank chequing account | Sole | <p>Estate of the Deceased (Estate). The financial institution (FI) may 'freeze' the account until it is transferred to the Estate.</p> <p>To facilitate the transfer, the FI may request a certified true copy of the Deceased's Will and a Death Certificate.</p> <p>Probate^{3,4}, will likely be required by the FI to proceed with transferring the account out of the Estate, at a future date.</p> | <p>Interest income earned and accrued on the account up to Deceased's date of death is taxable and will be included in the Deceased's terminal T1 tax return(s).</p> <p>Interest income earned while the account is within the Estate will be included in the Estate's (a trust) income for income tax purposes and reported on the Estate's T3 tax return.</p> |

¹Not available in the Province of Quebec.

²The procedures followed by any Financial Institution or Investment Dealer may differ from what has been outlined below. We recommend that you consult with your respective Financial Institution and Investment Dealer in this regard.

³Probate is a process by which a Will is validated by the courts as the last will and testament of the deceased.

⁴Probate is not applicable in the Province of Quebec.

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|--|---|--|--|
| Non-registered open investment account | Joint with Right of Survivorship ¹ (JWROS) | <p>Surviving joint account owner.</p> <p>The account transfers outside of the Estate to the surviving joint account owner.</p> <p>To facilitate the transfer, the FI or investment dealer (ID) may request a Death Certificate.</p> | <p>Any interest earned and accrued, dividends received and declared, but not paid, and capital gains (losses) realized up to the Deceased's date of death, with respect to the Deceased's interest in the account, is taxable and will be reported in the Deceased's terminal T1 tax return(s).</p> <p>If the surviving joint owner is the Deceased's spouse or common-law partner, the Deceased's interest in the account will transfer to the surviving spouse on a tax-deferred basis⁵.</p> <p>If the surviving joint owner is other than the Deceased's spouse or common-law partner, the Deceased is deemed to have disposed of their interest in the underlying investments in the account at fair market value (FMV) for income tax purposes. Any resulting capital gains or losses is taxable and will be reported in Deceased's terminal T1 tax return(s).</p> |
| Non-registered open investment account | Tenants in Common | <p>Estate of the Deceased with respect to their 50% interest in the account.</p> <p>The ID may 'freeze' the account until it can be transferred to the Estate.</p> <p>To facilitate the transfer, the ID may request a certified true copy of the Deceased's Will and a Death Certificate.</p> <p>Probate^{3,4} will likely be required by the ID to proceed with transferring the Deceased's interest in the account out of the Estate, at a future date.</p> | <p>Any interest earned and accrued, dividends received and declared, but not paid, and capital gains (losses) realized up to the Deceased's date of death, with respect to the Deceased's interest in the account, is taxable and will be reported in the Deceased's terminal T1 tax return(s).</p> <p>If the Deceased's Will names the Deceased's Spouse or Common-law Partner as the beneficiary of their interest in the account, the investments will transfer to surviving Spouse or Common-law Partner on a tax deferred basis.</p> <p>If Deceased's Will indicates that the beneficiary is other than the Deceased's spouse or common-law partner, the Deceased will be deemed to have disposed of their interest in the underlying investments in the account at FMV. Any resulting capital gains or losses is taxable and will be reported in the Deceased's terminal T1 tax return(s).</p> |

⁵Under certain circumstances, an election can be filed with the T1 tax return to elect out of the automatic spousal rollover for income tax purposes and is beyond the scope of this article.

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|---|---|---|--|
| Non-registered open investment account | In Trust For Minor (informal trust) | <p>Estate of the Deceased.</p> <p>The ID may 'freeze' the account until it is transferred to the Estate or an alternate trustee.</p> <p>To facilitate the transfer, the ID will likely require a certified true copy of the Will and a Death Certificate.</p> <p>The Deceased's Will may or may not provide guidance as to the minor's rights to this account, or whether or not an alternate trustee has been identified. As such, there is a risk that the account may fall to the residue of the Estate and be distributed according to the terms of the Will. Whether a claim could be made by the minor's representative (guardian) against the Estate, in respect of this account, is beyond the scope of this article.</p> | <p>Information available as to the source of the funds within the account may provide guidance as to where the income earned or accrued up to the Deceased's date of death is to be reported for tax purposes (i.e., in the Deceased's terminal T1 tax return(s) or in the minor's T1 tax return). A comprehensive overview of the taxation of the income earned or accrued within the account and the attribution rules that may apply is beyond the scope of this article.</p> |
| Registered retirement savings plan (RRSP) | Sole, with Spouse or Common-law Partner named as Designated Beneficiary | <p>Deceased's Spouse or Common-law Partner.</p> <p>The account transfers outside of the Estate to the designated beneficiary (DB).</p> <p>To facilitate the transfer, the ID may request a Death Certificate.</p> | <p>No income tax implications for the Deceased, provided that 100% of Deceased's RRSP is transferred to the surviving Spouse or Common-law Partner's RRSP or registered retirement income fund (RRIF), or an annuity is purchased whereby the surviving Spouse or Common-law Partner is the annuitant, before December 31st of the year following the year of death.</p> |
| RRSP | Sole, with Designated Beneficiary other than a Spouse or Common-law Partner | <p>Designated Beneficiary.</p> <p>The account transfers outside of the Estate to the DB.</p> <p>To facilitate the transfer, the ID may request a Death Certificate.</p> | <p>The Deceased is deemed to have disposed of their RRSP immediately before their death at the FMV of the underlying investments, and the full amount is taxable and will be included in the Deceased's terminal T1 tax return(s). As such, the Estate is liable for the associated income tax and the designated beneficiary receives the full value of the RRSP.</p> <p>The account does not retain its status as an RRSP account when it transitions to the Designated Beneficiary.</p> |

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|--|--------------------------------------|--|---|
| Tax-free savings account (TFSA) | Sole, with no Designated Beneficiary | Estate of the Deceased. The ID may 'freeze' the account until it is transferred to the Estate. | <p>No income is reported in the Deceased's terminal T1 tax return(s) as of their date of death.</p> <p>If the Deceased's Will names their Spouse or Common-law Partner as successor holder⁶, the surviving Spouse or Common-law Partner becomes the new holder of the TFSA and the tax-free status is retained.</p> <p>If the Deceased's Will names their Spouse or Common-law Partner as beneficiary of the Deceased's TFSA account, the value of Deceased's TFSA at the time of their death (the 'survivor payment') can be rolled over to the surviving Spouse or Common-law Partner's TFSA as an exempt contribution, provided it is completed by December 31st of the year following death (the 'exempt period'). Any income earned on the survivor payment will be taxable to surviving Spouse or Common-law Partner.</p> <p>If somebody other than the surviving Spouse or Common-law Partner is named as the beneficiary, any income earned during the exempt period is taxable to the beneficiary, provided the amounts are paid to the beneficiaries within the exempt period.</p> <p>With respect to amounts not paid out within the exempt period, the Estate is deemed to have disposed of the investments and reacquired them at FMV. The trust will continue as an <i>inter vivos</i> trust and all income earned is taxable to the trust, including income earned during the exempt period, and will be reported on an annual T3 tax return.</p> |
| Registered Education Savings Plan (RESP) | Subscriber | <p>Co-Subscriber in the RESP contract or Successor⁷ Subscriber, if named in the Deceased's Will, or acquired the subscriber's rights under the RESP or under a written agreement.⁸</p> <p>To facilitate the transfer, the FI or ID may request a certified true copy of the Will, a Death Certificate and/or a copy of the written agreement.</p> <p>If no Successor Subscriber is named in the Deceased's Will, the government grants will likely have to be repaid and the value of the RESP (net of the grants) becomes part of the residue of the Estate of the Deceased to be distributed amongst the Deceased's beneficiaries according to the terms outlined in their Will.</p> | <p>If a Successor Subscriber has been named in the Deceased's Will or if there is a Co-Subscriber, there are no income tax implications.</p> <p>If no Successor Subscriber has been named in the Deceased's Will or there is no Co-Subscriber or the conditions⁸ outlined by the Canada Revenue Agency cannot be satisfied, the RESP must be wound up, the grants repaid and the accrued income earned within the RESP is taxable and will be included in the Deceased's terminal T1 tax return(s).</p> |

⁶A survivor can be named in the deceased holder's Will as a successor holder to a TFSA, if the terms of the Will state that the successor holder receives all of the holder's rights including the unconditional right to revoke any beneficiary designation, or similar direction imposed by the deceased holder under the arrangement or relating to property held in connection with the arrangement.

⁷Any reference to successor holder or beneficiary assumes that the terms are recognized in the Province of residence and, therefore, the tax treatment, as outlined, will apply.

⁸For additional guidance, refer to https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4092/registered-education-savings-plans-resps-2016.html#P14_1109.

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|--|---|--|--|
| Corporate owned non-registered open investment account | Sole signatory on account in Corporate name | <p>Corporate shares will transfer according to the terms of the Deceased's Will.</p> <p>The FI or ID may 'freeze' the account until updated authorizations are received and processed by the FI or ID.</p> <p>This generally requires a Resolution by the Board of Directors, which may be delayed if Deceased was the sole director of the Company.</p> | <p>If the Deceased's Will names their Spouse or Common-law Partner as beneficiary of all of the shares of the Company owned by the Deceased, the shares of the Company will transfer to the Spouse or Common-law Partner on a tax deferred basis, provided that the shares cannot vest indefeasibly in the Spouse or Common-law Partner's name within 36 months of death.</p> <p>If the Deceased's Will does not name their Spouse or Common-law Partner as beneficiary of all of the shares of the Company owned by the Deceased on the date of death, the Deceased will be deemed to have disposed of the shares at FMV. Any capital gains or losses resulting from the deemed disposition is taxable and will be reported in the Deceased's terminal T1 tax return(s).</p> <p>The tax values of the underlying investments within the Company's non-registered open investment account do not change for income tax purposes following from the death of the shareholder.</p> |

Source: *Income Tax Act* (Canada)

 For more information, speak to your advisor or: Visit [sunlifeglobalinvestments.com](https://www.sunlifeglobalinvestments.com) | Call **1-877-344-1434**

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