
Be Careful with RRSP Beneficiary Designations

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When Margaret and James married in 2005, it was a second marriage for both of them. They had no children, so when they did their financial planning, their wills were clear that 100% of their estates would go to the other. Believing this was sufficient protection, they built a life and continued to grow their wealth.

Sadly, Margaret's sudden passing in 2019 exposed a serious hole in their estate plan. Her registered retirement savings plan (RRSP), worth \$450,000 and the bulk of her estate, listed her first husband as beneficiary. To make matters worse, her RRSP would not only go to someone she was no longer married to, but her estate would also be required to pay a substantial tax bill.

Margaret had made this beneficiary designation when she'd opened an individual registered retirement savings plan (RRSP) early on in her first marriage. As it remained hers in the divorce settlement, she continued making regular monthly investments, completely unaware that she hadn't changed the beneficiary. When this designation was revealed after her passing, James wasn't worried. After all, Margaret's will made it clear that her estate would go to him. Despite the work of his legal team, however, the will was overridden by the RRSP beneficiary designation. Fortunately, he was able to leverage Margaret's insurance policy to settle the matter with her ex-husband. Without that layer of protection, James would have lost almost everything his wife had intended for him to have.

During a deeply painful time, James was forced to navigate challenging legal and financial waters to protect the financial future he and Margaret had built together. Sadly, this isn't uncommon. When it comes to conflicts between wills and designations in life insurance and registered plans (RRSPs, RRIFs, TFSAs, etc.), beneficiary designations almost always trump wills. It also depends on where you live in Canada. While there's one set of rules in Nova Scotia, there's another in British Columbia. This can impact your financial planning, so it's vital to know these regulations in your current province of residence.

What can you do to avoid this kind of situation in your future? Talk with a trusted financial advisor who can help you ensure that:

- you are growing your portfolio wisely and steadily
- you and your family are protected with the right insurance
- your estate plan reflects your current situation and intentions
- your estate plan is designed to mitigate taxes to be paid by your beneficiaries
- your beneficiary designations on all applicable assets are up to date

A financial advisor can also be your long-term guide. Marriage, children, grandchildren, divorce, remarriage, retirement, disability and death alter the landscape of our lives. Your financial and estate planning should reflect these types of changes. Financial advisors have the skills and tools you need to avoid a situation like James suffered through.

[Connect with us today \[1\]](#) to build or review an estate plan that will protect you when it matters the most.

**Fictional characters for illustrative purposes only.*

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