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THE ELEPHANTS EAR

In this issue:

The Overlooked Aspect of Investing: Beneficiaries

One topic that often gets overlooked in the investment process is **beneficiaries**. While we frequently focus on tax implications, investment strategies, and balancing risk vs. return, the importance of beneficiaries in estate planning doesn't always get the attention it deserves.

In Canada, all registered accounts require a beneficiary designation. Common examples of registered accounts include:

- **Registered Retirement Savings Plan (RRSP)**
- **Tax-Free Savings Account (TFSA)**
- **Registered Disability Savings Plan (RDSP)**
- **First Home Savings Account (FHSA)**
- **Registered Education Savings Plan (RESP)**

Why it matters:

When opening any of these accounts, naming a beneficiary is a key step—and how you structure that designation can have major estate planning implications and how quickly funds are transferred after death.

Successor vs. Beneficiary

For accounts like the **RRSP**, **TFSA**, there are typically two levels of designations: **successor holder** and **beneficiary**. A *successor holder*—often a spouse or common-law partner—can take over the account without triggering tax consequences. This individual becomes the new account holder upon the original holder's passing. If a successor holder isn't named, the assets can still go to named beneficiaries, but there may be tax implications depending on the account type and the recipient's relationship to the deceased.

One critical point: assets in these registered accounts generally **bypass the estate** and are transferred directly to the successor or beneficiaries. This can **override instructions in a will**, which is why it's essential to ensure your beneficiary designations are current and reflect your wishes.

Alternatively, you can designate your **estate** as the beneficiary, in which case the account is treated like a traditional savings account or real-estate assets and handled as part of the estate upon death.

RDSPs and RESPs Work Differently

Accounts like the **RDSP** and **RESP** are structured differently. In these cases, the beneficiary is defined at the time the account is created and typically **cannot be changed** due to government grants or bonds linked to that individual. When the account holder passes away or is incapacitated, the account may be managed by a Power of Attorney (POA) executor and/or legal guardian, depending on the beneficiary's age and capacity, but the **beneficiary designation itself remains fixed**.

Final Thoughts

There can be significant **tax and estate planning consequences** tied to how beneficiaries are designated—and every situation is unique. If you have questions or want to review your current accounts, feel free to contact our office. We'd be happy to schedule a time to discuss your individual needs and estate planning questions.

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What is the First Home Savings Account (FHSA)?

The **First Home Savings Account (FHSA)** is one of the newest additions to Canada's lineup of registered accounts. It was created to help **first-time home buyers** save specifically for a down payment on their first home—offering a combination of tax advantages that make it an extremely effective savings tool.

Key Features of the FHSA:

- **Contribution Limit**: You can contribute up to **$8,000 per year**, with a **lifetime maximum of $40,000**.
- **Tax Deduction**: Like an RRSP, contributions are **tax-deductible**, which reduces your taxable income for the year.
- **Tax-Free Growth & Withdrawal**: When funds are used to purchase a qualifying first home, both the **growth and withdrawal are tax-free**.
- **No Repayment Required**: Unlike the **Home Buyers' Plan (HBP)** under an RRSP, there's **no requirement to repay** the funds over 15 years. Once the home is purchased, the FHSA is simply **closed**.

To open an FHSA, you must:

- Be a **Canadian resident**
- Be at least **18 years old**
- **Not have owned or lived in a qualifying home** as your principal residence in Canada in the current or previous four calendar years.

Why Use a FHSA First?

If you're planning to buy your first home, the FHSA should be the **first account you consider** for saving your down payment. It offers the **best of both worlds**—upfront tax deductions like an RRSP, and tax-free withdrawals like a TFSA, all without the repayment obligations of the Home Buyers' Plan.

Plus, like other registered accounts (RRSPs and TFSAs), you can choose how your FHSA funds are invested based on your risk tolerance and time horizon.

Given the rising cost of real estate across Canada, starting early with an FHSA can make a real difference. It's a smart, tax-efficient way to move closer to owning your first home. If you're unsure whether the FHSA is right for you—or how it fits into your broader financial plan—**reach out to our office**. We're happy to walk you through the options.

A Missed Opportunity:

The Registered Disability Savings Plan (RDSP)

One account type that is still frequently overlooked—despite its powerful benefits—is the Registered Disability Savings Plan (RDSP). This account is designed to provide long-term financial security for individuals living with disabilities, and yet many Canadians who qualify for it have not yet opened one.

To be eligible to open an RDSP, an individual must:

- Qualify for the Disability Tax Credit (DTC)
- Be a Canadian resident
- Have a valid Social Insurance Number (SIN)
- Be under the age of 60

Despite the broad eligibility, a large number of Canadians who qualify for the DTC still don't have an RDSP in place.

What is an RDSP for?

The RDSP is a long-term savings plan intended to ensure **financial stability in retirement** for individuals with disabilities—especially for those who may not have access to traditional employer pension plans. It's also an excellent **estate planning tool**, allowing families to transfer wealth securely for the future care and support of a disabled loved one.

A Missed Opportunity: The Registered Disability Savings Plan (RDSP) cont.

There are typically **two roles** on an RDSP:

- **Account Holder**: Manages the account
- **Beneficiary**: The individual eligible for the plan If the beneficiary is over **age 18** and has legal capacity, they can also be the account holder. For minors or individuals who lack capacity, a parent, guardian, or legal representative serves as the account holder.

One of the biggest advantages of the RDSP is the **substantial government matching programs**, designed to help create a pension-like income stream.

There are **two main types of government contributions**:

1. Canada Disability Savings Grant (CDSG)

- Matching contributions based on family income
- Up to **$3,500/year** in matching
- **Lifetime maximum**: $70,000

2. Canada Disability Savings Bond (CDSB)

- For low- and modest-income families
- **No personal contribution required**
- Up to **$1,000/year**
- **Lifetime maximum**: $20,000

* Family income –if the beneficiary is under 18 it is normally based on the parents/guardian's income. Over 18 it is based on the beneficiaries income.

Family Net Income*	CDSG Matching Rates	Max. Annual CDSG
Up to or equal to $114,750	300% on first $500 200% on next $1,000	$3,500
Over $114,750	100% on first $1,000	$1,000

Family Net Income*	Max. Annual CDSB
Up to or equal to $37,487	$1,000
Between $37,487 and $57,375	$1,000 reduced on a prorated basis
Over $57,375	No CDSB is paid

Both CDSG and CDSB can be claimed retroactively for up to 10 years, depending on eligibility and income levels. Below is an example:

Year	Contributions		Total	
2025	$3,500	Gives you $500 x 300% x 7 years	$10,500	
2026	$4,000	Gives you $500 x 300% x 5 years = $7,500 Gives you $1,000 x 200% x 1.5 years = $3,000	$10,500	
2027	$5,000	Gives you $500 x 300% x 1 year = $1,500 Gives you $1,000 x 200% x 4.5 years = $9,000	$10,500	
2028	$5,000	Gives you $500 x 300% x 1 year = $1,500 Gives you $1,000 x 200% x 4.5 years = $9,000	$10,500	
2029	$4,000	Gives you $500 x 300% x 1 year = $1,500 Gives you $1,000 x 200% x 3.5 years = $7,000	$8,500	
Total Contributions	$21,500		$50,500	Grand Total $72,000

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A Missed Opportunity:

The Registered Disability Savings Plan (RDSP) cont.

Withdrawals:

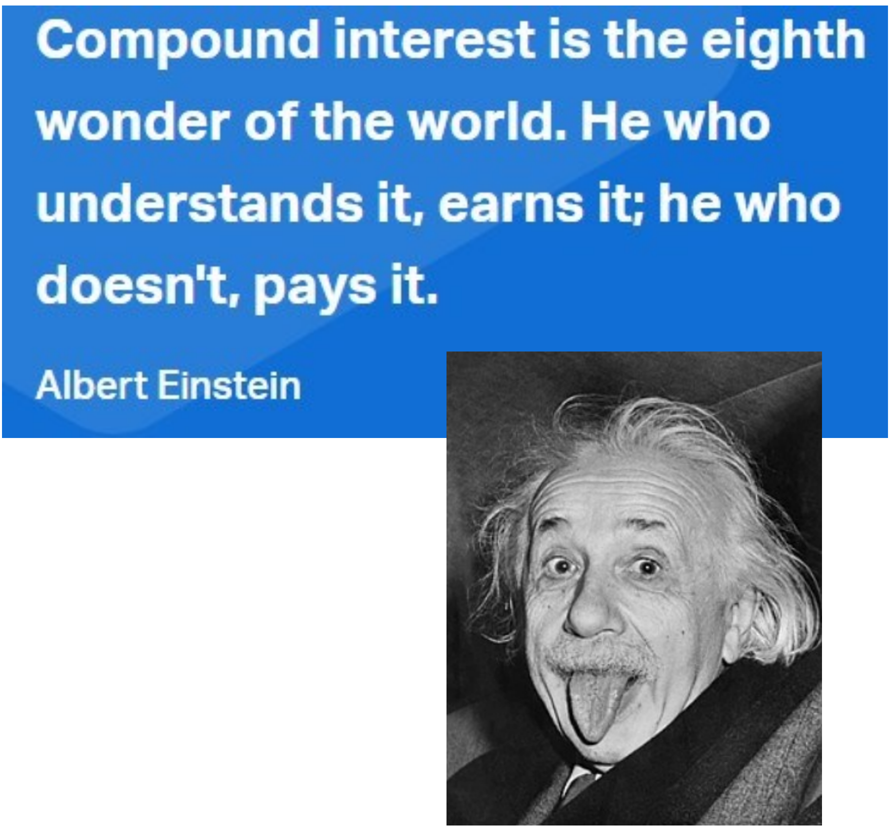
RDSP withdrawals are generally structured like a pension and are intended to begin after **age 60**. Withdrawals include:

- **Original contributions** (not taxable)
- **Investment growth**
- **CDSG and CDSB funds**

Only the investment income, grants, and bonds are subject to tax when withdrawn. This is similar to how RESP withdrawals are taxed and helps reduce the overall tax burden.

Every Situation is Unique

The RDSP is a highly valuable yet underutilized tool that can make a meaningful difference in the long-term financial well-being of individuals with disabilities. If you or a loved one qualifies, I'd be happy to walk you through the setup, answer any questions, and run projections to show how this plan can support your family's future.



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