



# Death of a RRIF Annuitant

A RRIF annuitant is the owner of a RRIF. This information sheet explains the taxation of registered retirement income fund (RRIF) amounts when the annuitant dies. It explains how they are reported, and the options that are available to reduce or defer the tax liability resulting from the annuitant's death.

**Under proposed changes**, as of July 1, 2011, for deaths occurring after March 3, 2010, the existing registered retirement savings plan (RRSP) rollover rules will be extended to allow a rollover of a deceased individual's RRSP proceeds to the RDSP of the deceased individual's financially dependent infirm child or grandchild. These proposed rules will also apply for amounts transferred to an RDSP from registered retirement income fund (RRIF) proceeds and certain lump-sum amounts paid from registered pension plans (RPP).

In addition, where the death of an RRSP annuitant occurs after 2007 and before 2011, special transitional rules will allow

a contribution to be made to the RDSP of a financially dependent infirm child or grandchild of the annuitant that will provide a similar result to the proposed measures. It is important to note that in order to be eligible, the contribution to an RDSP can only be made **after June 30, 2011** and, where the death of the annuitant occurs after 2007 and before 2011, the contribution must be made before 2012, i.e. individuals will have six months in which to make the contribution to an RDSP.

For updated information on these proposed changes, go to [www.cra.gc.ca/rdsp](http://www.cra.gc.ca/rdsp).

## Slips issued by the RRIF issuer

The chart below shows how the RRIF carrier generally prepares the slips that report the amounts paid out or considered to have been received from a deceased annuitant's RRIF.

**Chart 1 – How the RRIF carrier generally prepares the slips that report the amounts paid out of a deceased annuitant's RRIF**

Period	Day the annuitant died*	From the day after the day the annuitant died to December 31 of the year after the year of death	From January 1 of the year after the period described in the previous column to the date the RRIF property is distributed
<b>Amount</b>	Fair market value (FMV) of the RRIF	Income earned in the RRIF during this period	Income earned in the RRIF during this period
<b>How the RRIF carrier generally reports the amount</b>	We consider that the annuitant received this amount at the time of death, so the amount is reported in box 18 of a T4RIF slip issued in the same of the annuitant for the year of death. This slip also shows any other amounts the annuitant received in the year.	<ul style="list-style-type: none"> <li>■ If the annuitant's spouse or common-law partner is named as a beneficiary in the RRIF contract, income paid to that beneficiary is reported in box 16 of a T4RIF slip issued in his or her name, for the year of payment.</li> <li>■ For all other beneficiaries named in the RRIF contract or the annuitant's estate (if no beneficiary is named), income paid is reported in box 22 of a T4RIF slip for the year of payment.</li> </ul>	<p><b>Depository RRIF</b> – Income is paid to the beneficiaries named in the RRIF contract or the annuitant's estate (if no beneficiary is named) and reported in box 13 of a T5 slip issued to each beneficiary or the estate, for the year in which the income is credited or added to the deposit.</p> <p><b>Trusteed RRIF</b> – Income is paid to the beneficiaries named in the RRIF contract or the annuitant's estate (if no beneficiary is named) and reported in boxes 22 and 36 of a T4RIF slip issued to each beneficiary or the estate, for the year of payment.**</p> <p><b>Insured RRIF</b> – Income is paid to the beneficiaries named in the RRIF contract or the annuitant's estate (if no beneficiary is named) and reported in the same way as described in the previous column.</p>

The shaded areas represent amounts that qualify as a **designated benefit** if received by a **qualified beneficiary** (see the definitions on the next page). If you do not know the type of RRIF the annuitant has, or need a breakdown of the amount reported in box 22, contact the fund carrier.

\* Two exceptions to the reporting requirement are provided where the spouse or common-law partner is the successor annuitant or the sole beneficiary of the RRIF. See the next page for details.

\*\* Only the part of the income earned in this period that is not taxable to the RRIF trust is reported to the beneficiary. A beneficiary will not have to pay tax on any part of the amount he or she receives, to the extent that it can reasonably be regarded as having been included in the RRIF trust's income.

## General rule – deceased annuitant

When the annuitant of a RRIF dies, we consider that the annuitant received, immediately before death, an amount equal to the FMV of all the property held in the RRIF at the time of death. This amount and all other amounts the annuitant received from the RRIF during the year have to be reported on the annuitant's return for the year of death.

A beneficiary will not have to pay tax on any payment made out of the RRIF if it can reasonably be regarded as having been included in the deceased annuitant's income.

### Exception 1 – Spouse or common-law partner as successor annuitant

– We **do not** consider the deceased annuitant to have received an amount at the time of death if the RRIF contract or the annuitant's will names his or her spouse or common-law partner as the successor annuitant of the RRIF. In this situation, the RRIF continues and the spouse or common-law partner becomes the successor annuitant. All payments made out of the RRIF after the date the annuitant died become payable to that successor annuitant. The successor annuitant will receive a T4RIF slip for the year of death (if applicable) and for future years showing the payments he or she received. The successor annuitant has to report the payments on his or her tax return for the year they are received.

If the spouse or common-law partner is not named as the successor annuitant, he or she can still be considered as a successor annuitant if the deceased annuitant's legal representative consents to the designation and the RRIF carrier agrees. For common-law partners of the same sex, this only applies if the annuitant died after 1997.

**Exception 2 – Spouse or common-law partner is the sole beneficiary of the RRIF** – We **do not** consider the deceased annuitant to have received an amount from the RRIF at the time of death if the annuitant had a spouse or common-law partner when he or she died and **both** the following conditions are met:

- the spouse or common-law partner is named in the RRIF contract as the **sole** beneficiary of the RRIF; and
- by December 31 of the year following the year of death, the entire eligible part of the RRIF property is directly transferred to an RRSP or RRIF under which the spouse or common-law partner is the annuitant, or to an issuer to buy an eligible annuity for the spouse or common-law partner.

If **both** these conditions are met, only the spouse or common-law partner will receive a T4RIF slip. The total amount that was paid out of the RRIF will be shown in box 16 of the slip, and the part that was transferred will be shown in box 24 of the slip. The amount shown in box 16 has to be reported on line 115 of the spouse's or common-law partner's tax return for the year the transfer was made. The spouse or common-law partner will receive an official receipt for the amount that was transferred. To find out how to claim a deduction for the transfer, see "Qualified beneficiaries – transfers" on the next page.

## General rule – beneficiaries of the RRIF

Amounts paid from the RRIF, which represent income earned in the RRIF after the date the annuitant died, have to be reported by the beneficiaries named in the RRIF contract or the annuitant's estate (if no beneficiary is named). These payments have to be included in the income of the beneficiaries or the estate for the year they are received. Chart 1 on the first page shows how RRIF carriers usually prepare the slips that report the amounts paid out of a deceased annuitant's RRIF.

## Optional reporting

Read this section if neither of the exceptions described above applies.

If a **qualified beneficiary** (see below) **receives** an amount from a deceased annuitant's RRIF that qualifies as a **designated benefit** (see below), the annuitant's legal representative can claim a reduction to the amount we consider that the annuitant received at the time of death.

The reduction, which is determined by completing Chart 2 on page 4, allows for a redistribution of the annuitant's income to the qualified beneficiary who actually received it. This redistribution of income allows the deceased annuitant and the qualified beneficiary to pay the least amount of tax the law allows.

If none of the payments out of the RRIF are made to a qualified beneficiary or designated as a designated benefit, the amount we consider that the annuitant received at the time of death cannot be reduced.

**Qualified beneficiary** – A **qualified beneficiary** is the deceased annuitant's spouse or common-law partner, or a financially dependent child or grandchild. A child or grandchild of a deceased annuitant is generally considered financially dependent on that annuitant at the time of death if, before that person's death, the child or grandchild ordinarily resided with and dependent on the annuitant and they meet one of the following conditions:

- the child or grandchild's net income for the previous year (shown on line 236 of their return) was less than the basic personal amount (line 300 from Schedule 1) for that previous year; or
- the child or grandchild is infirm and their net income for the previous year was equal to or less than the basic personal amount **plus** the disability amount (line 316 from Schedule 1) for that previous year.

If, before the annuitant's death, the child or grandchild is away from home because they were attending school, we still consider them to have resided with the annuitant.

If the child or grandchild's net income was **more than the amounts described above**, we will **not** consider them to be financially dependent on the annuitant at the time of death, unless they can establish the contrary. In such a case, the child or grandchild or the legal representative should submit a request in writing to the child or grandchild's tax services office outlining the reasons why we should consider them to be financially dependent on the annuitant at the time of death.

**Designated benefit** – A designated benefit out of a RRIF is any of the amounts shown in the shaded areas of Chart 1 on first page if paid to a qualified beneficiary. If these amounts are paid to the annuitant’s estate, they will qualify as a designated benefit if **both** the following conditions are met:

- there is a qualified beneficiary who is a beneficiary of the annuitant’s estate; and
- the annuitant’s legal representative and the qualified beneficiary jointly file Form T1090, *Death of a RRIF Annuitant – Designated Benefit*, to designate all or part of the amounts paid to the estate as a designated benefit received by the qualified beneficiary.

Sometimes there can be an **increase** in the value of a RRIF between the date of death and the date of the final distribution to the beneficiary or estate. Generally, this amount has to be included in the income of the beneficiary or the estate for the year it is received. A T4RIF slip may be issued for this amount. For more information, see Chart 7 – Amounts from a deceased annuitant’s RRIF, in Chapter 4 of Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

If there is a **decrease** in the value of a RRIF **between** the date of death and the date of the final distribution after 2008 to the beneficiary or the estate, the deceased’s legal representative can request the amount of the decrease be carried back and deducted on the deceased’s final return through a reassessment. However, if the final distribution is made in the year of death, the deduction will be claimed when filing the final return. The deduction is claimed on line 232 of the *T1 General Income Tax and Benefit Return*.

The amount of that deduction is the total of:

- the part of the FMV of the RRIF at the time of death included in the deceased annuitant’s income as a result of the annuitant’s death;
- all amounts received after the annuitant’s death that have been included in the recipient’s income as a taxable payment from the RRIF other than “tax-paid amounts”; and
- all “tax-paid amount” (see box 36 of T4RIF slip);

**MINUS**

- the total of all amounts distributed from the RRIF after the death of the annuitant.

Generally, the deduction will not be available if the RRIF held a non-qualified investment after the annuitant dies or if the final distribution is made after the end of the year that follows the year in which the annuitant died. However, this rule may be waived to allow the deduction to deceased annuitants on a case-by-case basis.

If a RRIF experiences a post-death decline in value, and the exceptional reporting described starting at exception 1 does not apply, the financial institution that holds the RRIF will issue Form RC249, *Post-Death Decline in the Value of an Unmatured RRSP or a RRIF – Final Distribution Made in 20 \_\_\_\_*.

This form will be issued to the executor of the deceased annuitant’s estate for the year in which the final distribution is made.

## Qualified beneficiaries – transfers

When a qualified beneficiary includes a designated benefit in income, he or she can defer paying tax on the eligible part of it by transferring it to an RRSP or RRIF, or to an issuer to buy an eligible annuity. See the definitions of **qualified beneficiary** and **designated benefit** in the previous section. To determine the **eligible part of a designated benefit**, which is the amount that can be transferred, complete Chart 3 on page 5.

The following chart shows the transfers that different qualified beneficiaries can choose.

Designated benefit paid to:	Can be transferred to:		
	RRSP*	RRIF	Annuity
■ the annuitant’s spouse or common-law partner	✓	✓	✓
■ the annuitant’s financially dependent child or grandchild who:			
– was dependent because of a physical or mental impairment	✓	✓	✓
– was dependent but <b>not</b> because of a physical or mental impairment			✓**
* The qualified beneficiary must be 71 years of age or younger at the end of the year the transfer is made.			
** The annuity can provide for payments based on a period of not more than 18 years minus the child’s or grandchild’s age at the time the annuity was purchased. The payments from the annuity have to begin no later than one year after the purchase.			

The transfer or purchase has to be completed in the year the designated benefit is received or within 60 days after the end of the year. If the qualified beneficiary is 71 years of age in the year the designated benefit is received, the transfer to an RRSP must be completed by December 31 of that year.

The carrier or issuer who receives the transferred funds will issue an official receipt to the qualified beneficiary. The beneficiary can use the receipt to claim a deduction on his or her tax return for the year the designated benefit was received.

The following chart shows where on the tax return the beneficiary should claim the deduction.

Designated benefit transferred to:	Claim deduction on:	
	line 208	line 232
an RRSP	✓	
a RRIF		✓
an annuity		✓

**Example**

Sarah died in December 2008 at the age of 67.

- The FMV of her trusted RRIF at the time of death was \$150,000.
- The FMV of the RRIF on December 31, 2009, was \$160,000.
- The distribution of the RRIF property was delayed until 2010.

The RRIF contract named Sarah’s husband, Dan, as the sole beneficiary of the RRIF. On June 30, 2010, he received \$165,000 from the RRIF carrier.

Dan, who is also the legal representative of Sarah's estate, received the following slips from the RRIF carrier:

- a 2010 T4RIF slip issued in his name, showing \$10,000 in box 16 and \$5,000 in boxes 22 and 36.
- a 2008 T4RIF slip issued in Sarah's name, showing \$150,000 in box 18. Although Dan is the sole beneficiary of the RRIF, the slip was issued to Sarah because both conditions listed in Exception 2 and under the section called "General rule – deceased annuitant", on page 2, were not met.

Had Sarah not died, the minimum payment under the RRIF for 2010 would have been \$6,000. Dan decides that it would be beneficial to request a reduction to the amount Sarah is considered to have received from her RRIF. This would allow him to shift some of her income onto his return.

After completing Chart 2, Dan decides to claim a \$130,000 reduction. This reduces the amount reported on line 115 of Sarah's 2008 return to \$20,000 (\$150,000 – \$130,000). Because the FMV of the RRIF at the time of death was included in Sarah's income for 2008, Dan has to write a letter to request an adjustment to that year's return. Dan is required to report \$145,000 (\$130,000 + \$10,000 + \$5,000) on line 115 of his 2010 return.

To minimize his 2010 taxes, he decides to transfer the eligible part of his designated benefit to his RRIF. The amount that qualifies as a designated benefit is \$140,000 (\$145,000 – \$5,000). Dan completes Chart 3 on the last page, and determines that he can transfer \$134,000 to his RRIF. He claims a \$134,000 deduction on line 232 of his 2010 return.

<b>Chart 2 – How to calculate the reduction to the amount we consider that the deceased annuitant received at death</b>			<b>Example from the previous page</b>
Complete a separate calculation for each RRIF belonging to the deceased annuitant.			
1. Enter the amount shown in box 18 of the T4RIF slip issued to the annuitant for the year of death.	\$ _____	<b>1</b>	\$ 150,000 <b>1</b>
2. Enter the FMV of the RRIF on the later of the following dates (you may need to contact the deceased annuitant's RRIF carrier to determine these amounts):			
■ December 31 of the year after the year the annuitant died; or			
■ the end of the day the last time a designated benefit was paid out of the RRIF.	\$ _____	<b>2</b>	\$ 0 <b>2</b>
3. Enter the total of all amounts paid out of the RRIF after the annuitant died.	+ \$ _____	<b>3</b>	+ \$ 165,000 <b>3</b>
4. <b>Add</b> lines 2 and 3.	= \$ _____	<b>4</b>	= \$ 165,000 <b>4</b>
5. Enter the amount from either line 1 or line 4, <b>whichever is less</b> .	– \$ _____	<b>5</b>	– \$ 150,000 <b>5</b>
6. Line 4 <b>minus</b> line 5.	= \$ _____	<b>6</b>	= \$ 15,000 <b>6</b>
7. Enter the total of the following amounts:			
■ amount designated as a designated benefit on each Form T1090 filed for the RRIF;			
■ the part of the amounts shown in box 36 of all T4RIF slips and box 13 of all T5 slips issued in the name of the estate that the qualified beneficiaries are entitled to receive from the estate;			
■ amounts shown in boxes 16 and 22 of all T4RIF slips and box 13 of all T5 slips issued to qualified beneficiaries;			
■ the part of the amount shown in box 36 of all T4RIF slips that were issued to the qualified beneficiaries that is not required to be included in income (contact the deceased annuitant's RRIF carrier to determine these amounts); and			
■ the part of the amount shown in box 18 of the T4RIF slip that was issued to the deceased annuitant for the year of death and that the qualified beneficiaries are entitled to receive.	\$ _____	<b>7</b>	\$ 165,000 <b>7</b>
8. Enter the result of the following calculation:			
$1 - \left( \frac{\$ \text{_____ (amount from line 6)}}{\$ \text{_____ (amount from line 4)}} \right)$	× _____	<b>8</b>	× 0.909091* <b>8</b>
9. Maximum reduction to the amount we consider that the deceased annuitant received at the time of death (line 7 <b>multiplied</b> by line 8). The reduction can be any amount, from zero to the amount on this line.	= \$ _____	<b>9</b>	= \$ 150,000 <b>9</b>
If the reduction is claimed in the year the annuitant died, the legal representative has to attach a letter to the annuitant's return for that year to explain how the amount included in income was calculated.			* Calculation of line 8
If the reduction is claimed after the year of death, the legal representative has to write us a letter requesting an adjustment to the annuitant's return for the year of death.			1 – $\left( \frac{\$ 15,000}{\$ 165,000} \right)$

**Chart 3 – How to calculate the eligible part of a designated benefit**

Complete a separate calculation for each RRIF of the deceased annuitant, for each year in which a designated benefit is paid and transferred, and for each beneficiary who receives a designated benefit. You may have to contact the deceased annuitant's RRIF carrier to determine certain amounts.

**Example from the previous page**

1. Enter the total of all amounts included in the income of <b>all</b> qualified beneficiaries for the year as a designated benefit from this RRIF.	\$	<u>1</u>	\$ 140,000	1
2. Enter the minimum amount that is required to be paid from this RRIF for the year.	\$	<u>2</u>	\$ 6,000	2
3. Enter the amount from line 2, or the total of the amounts the deceased annuitant received from this RRIF during the year and included in income, <b>whichever is less</b> .	– \$	<u>3</u>	– \$ 0	3
4. Line 2 <b>minus</b> line 3.	= \$	<u>4</u>	= \$ 6,000	4
5. Enter the part of all designated benefits from this RRIF that is included in the beneficiary's income for the year.	\$	<u>5</u>	\$ 140,000	5
6. Enter the result of the following calculation:  $1 - \left( \frac{\$ \text{ (amount from line 4)}}{\$ \text{ (amount from line 1)}} \right)$	×	<u>6</u>	× 0.957143*	6
7. Eligible part of the designated benefit that can be transferred (line 5 <b>multiplied</b> by line 6)	= \$	<u>7</u>	= \$ 134,000	7

\* Calculation of line 6

$$1 - \left( \frac{\$ 6,000}{\$ 140,000} \right)$$

## For more information

### What if you need help?

If you need help after reading this guide, visit [www.cra.gc.ca](http://www.cra.gc.ca) or call 1-800-959-8281.

### Forms and publications

To get any forms or publications, go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or call 1-800-959-2221.

### My Account

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### TIPS (Tax Information Phone Service)

For personal and general tax information by telephone, use our automated service, TIPS, by calling 1-800-267-6999.

### Teletypewriter (TTY) users

TTY users can call 1-800-665-0354 for bilingual assistance during regular business hours.

### Our service complaint process

If you are not satisfied with the **service** you have received, contact the CRA employee you have been dealing with (or call the phone number you have been given). If you still disagree with the way your concerns are being addressed, ask to discuss the matter with the employee's supervisor.

If the matter is still not resolved, you have the right to file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied with the way the CRA has handled your complaint, you can contact the Taxpayers' Ombudsman.

For more information, go to [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints) or see Booklet RC4420, *Information on CRA – Service Complaints*.

## Related forms and publications

### Forms

5005-R	T1 <i>General Income Tax and Benefit Return</i>
RC193	<i>Service-Related Complaint</i>
RC249	<i>Post-Death Decline in the Value of an Unmatured RRSP or a RRIF – Final Distribution made in 20__</i>
T1090	<i>Death of a RRIF Annuitant – Designated Benefit for Year 20__</i>

### Publications

5000-G	<i>General Income Tax and Benefit Guide</i>
RC4059	<i>My Account for individuals</i>
RC4420	<i>Information on CRA – Service Complaints</i>
T4040	<i>RRSP and Other Registered Plans for Retirement</i>

## Your opinion counts

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