



When you're the surviving partner

It's not nice to contemplate, but one of you will probably pass away before the other. As the surviving spouse, you will have some details to attend to and may need some direction or assistance along the way.

First of all, remember that your deceased partner's final tax return is due six months after the death, or by April 30 in the year after the year of death – whichever is later. Generally, the executor files the tax return, but it's something you should be aware of.

From a tax point of view, there isn't too much to worry about. As the surviving spouse, you can inherit anything that was left to you tax-free, including your partner's RRSPs, the family home, non-registered assets and life insurance.

However, says Louise Guthrie, assistant vice-president, Tax and Regulatory Services, Manulife Investments,

being the survivor does cast you in a new role from a tax perspective. You now have to figure out what the tax consequences will be for the next generation when you die.

SEE YOUR FINANCIAL ADVISOR

Your first step is to visit your financial advisor. You will want to accomplish two objectives at this meeting:

1. Organize your income and assets now that they've all changed into your hands.
2. Come up with tax strategies for passing the assets on after your own death.

"Giving assets to the next generation is a huge taxable event," says Guthrie. "It's important for the surviving spouse to see a financial planner to estimate what her tax liability will be."

Ironically, the investments that are well known for being tax-free during most of our lives – Registered





Retirement Savings Plans – can cause the biggest tax hit upon the death of the second spouse. “Stocks and bonds are only taxed in terms of capital gains,” says Guthrie, “but with registered assets, everything is taxed, up to 48 per cent.”

Once you’ve determined your tax liability – that is, the amount of tax likely to be owed the government upon your death – you can consider buying life insurance to pay off the taxes and preserve the capital for the beneficiaries.

Alternatively, you can request that withholding tax be taken off your assets. “That means a portion of what your beneficiaries would inherit goes to the government right away, and your beneficiaries get the rest,” says Guthrie.

WHERE TO GO FOR ADDITIONAL HELP

There are a wide variety of books and websites available on financial planning in Canada, and many of them cover topics that relate to what happens when you’re the surviving spouse. One of these may help:

- *Surviving the Death Of Your Spouse: A Step-By-Step Workbook*, by Deborah S. Levinson
- *Making the Money Last: Financial Clarity for the Surviving Spouse*, by Jarratt G. Bennett
- **www.seniors.gc.ca** – Seniors Canada On-line is the Government of Canada’s website for senior citizens, with province-specific financial planning information

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