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# Money

## NOV 1 Death, Taxes, and Retirement Accounts

Posted by [Steve Martindale](#) at 5:21 AM | [Permalink](#) | [Comments \(2\)](#)

Benjamin Franklin once said that nothing in this world is certain but death and taxes. Tax codes in the U.S. and Canada are very charity-friendly, so tax savings are one reason that people make PETA the beneficiary of their retirement accounts. By going that route, you can save animals with your generous support, and as a bonus, you can do so without giving any of your left-over retirement money to the government. Here is a quick introduction to the processes.

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Retirement plans are equipped with a couple of features that are sometimes forgotten—or too painful to remember—even though these accounts are among the largest assets many of us have. This applies to IRAs and 401(k) and 403(b) plans, plus rollovers and spousal accounts in the U.S. Same story for RRSPs and RRIFs in Canada (please see the note below for Canadians).

What all those retirement plans have in common is that money going into them was never taxed—it was deducted from your income when it was first socked away. But the government most certainly does want a chunk of it when you take the money out. Distributions from those accounts are fully taxed as ordinary income. Taxes are due even on the gains accumulated from investments within the retirement plan—they don't qualify for capital gains tax breaks. (Roth IRAs and Canadian TFSAs aren't taxed on withdrawal, so they are the exceptions to the above, but PETA can also be named as a beneficiary for them as outlined below.)

What happens to the money or investments left in retirement accounts when the owner dies? The remainder goes to whoever was specified on the beneficiary form attached to the account. This form takes precedence over beneficiaries named in wills and trusts. So it's a good idea to review your beneficiary designations and make sure they still reflect your wishes.

Generally speaking, when death benefits are paid out to a person rather than rolled over to a spouse, the payments are taxed as income. In the U.S., it's the recipients who pay up. The income is added to their other income and can push them into a higher tax bracket. When state or provincial taxes are piled on, the results can be confiscatory, wiping out 40 percent or more of the principal!

If all that sounds complicated and displeasing, here's the happy and simple solution: Make a charity the beneficiary of your retirement accounts—PETA, of course—so that all the money goes directly to PETA and not to the tax man. If you have other loved ones to provide for, see if you can accomplish your wishes by leaving other assets to them, since those do not generally incur transfer taxes when bequeathed.

Making PETA the beneficiary of a retirement account is an easy way to include animals in your estate plans: Simply fill in the blanks on the beneficiary form. The designation can be changed just as easily, so you can update old accounts with minimal paperwork. If you do decide to make this commitment for animals, please use [PETA's full name, tax ID](#)

[number, and address](#), and mark the relationship to you as "charity." If it's a 401(k) and you're married, you'll need your spouse to sign a waiver, which accompanies the beneficiary form (this doesn't apply to IRAs).

*Heads up, Canadians!* For your retirement accounts, and donations and bequests to PETA in general, you may want to consider giving through the [Tides Canada Foundation](#)-PETA Fund. Tides Canada is a registered Canadian charity (<http://tidescanada.org/>), but PETA is not because of our advocacy work. The RRSP beneficiary paperwork is just as easy, so if Canadian tax credits are important, you can only get those benefits by making the beneficiary of your retirement accounts the [Tides Canada-PETA Fund](#) rather than specifying PETA. The same applies to other donations.

So Mr. Franklin's words are still correct about death, but you can actually help save animals without paying taxes.

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[Peter](#) says...

February 16th, 2010, 5:03 pm

Thanks for the information, yes it's a good idea to look through this area before the RRSP deadline arrives, in case there are still ways you can save on your taxes.

Anita says...

October 11th, 2010, 3:16 pm

Good to know about the Tides Canada PETA fund, as I am Canadian and would like to will my estate to PETA but wasn't sure how to do it in this country.

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