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YOUR RRSP PANEL



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RRSP CLINIC

Question My husband and I have a stock certificate for shares his mother gave us several years ago. Can we take the certificate to the bank that holds our self-directed spousal RRSP and have the stocks put into the RRSP as our contribution for 2004?

Answer Stock certificates can be deposited to a self-directed spousal RRSP, assuming the investment dealer is licensed to handle individual securities. This is called an "in-kind" contribution, and your bank should be able to process this on your behalf. When the stock is deposited to the RRSP, the size of the contribution will equal the market value of the shares on the day you deposit them.

Investors who make in-kind contributions of stock shares do need to be aware that if the shares are worth more on the day you deposit them to your RRSP than they were worth upon being transferred to you from your mother-in-law, then you will have to report the difference as a capital gain on your income tax return.

At the same time, you cannot report the capital loss if the shares are worth less than the market value on the day you received them.

To avoid this pitfall, if the shares are worth less than what you paid for them, sell them outside the RRSP and then contribute the cash to the RRSP. If you wish to continue holding that stock, you should simply repurchase the shares inside the RRSP. This way, you will still be able to use the capital loss to offset the tax consequences of capital gains you report on your 2004, or subsequent, income tax returns.