

Answering Your Questions About RRIFs

At what age does my RRSP mature?

You must have decided on your maturity option and collapsed your RRSP by December 31st of the year in which you turn 69.

What are my options at RRSP maturity?

You can elect any or a combination of the following options:

- Take your RRSP funds in a cash payment and pay tax on the full amount
- Transfer into a Registered Retirement Income Fund (RRIF)
- Purchase an annuity

Can I elect to collapse my RRSP earlier than age 69?

Yes, you can transfer into any of the maturity options at an earlier age if you need the income.

Can I transfer part of my RRSP or do I have to transfer all of it?

You can transfer part of your RRSP to one or a combination of the options at any time. However, by Dec. 31st of the year in which you reach 69, you must have transferred all of your RRSP holdings.

At what age must I collapse my Locked-in RRSP/LIRA?

Like a regular RRSP, the maximum age at which you must collapse your Locked-in RRSP/LIRA is 69. Minimum age will differ based on the province in which the funds are governed.

What are my Locked-in RRSP options?

With Locked-in RRSPs or LIRAs, you can elect the following options:

- Transfer to a Life Income Fund (LIF) (All provinces except PEI, Yukon and NWT)
- Transfer to a Life Annuity (All provinces)
- Transfer to a Life Retirement Income Fund (LRIF) (Alberta, Newfoundland, Ontario and Manitoba only)
- Transfer to a Prescribed Retirement Income Fund (PRIF) for Saskatchewan only

What is a RRIF?

A RRIF is like an RRSP in that your funds are allowed to grow tax-sheltered. However, a RRIF requires you to take out at least a minimum amount each year as income. There is no maximum amount you can withdraw. All amounts withdrawn are taxed as income.

What is the advantage of a holding a RRIF?

The biggest advantage of holding a RRIF is that it allows you to continue with the investment program that you have established and therefore provides the most flexibility of all your retirement income options. You can elect to take payments beyond the required minimum, and you have the ability to change your investments should your circumstances, or the markets, change. As well, a RRIF offers protection from inflation by allowing you to increase the amounts of your payments over the years to keep pace with your higher living costs.

Can I still make contributions to my RRIF?

No, you cannot make contributions to a RRIF. The only new funds that may come into your RRIF are transfers from other RRSPs or RRIFs. If you are under age 69 and have a RRIF, you can continue to hold an RRSP and make contributions. Or, if you are over age 69 but your spouse is younger, you can continue to make spousal contributions to their RRSP.

What type of investments can I hold in my RRIF?

You can hold the same qualified investments in your RRIF as in your RRSP. If you have a self-directed RRSP, you can transfer the assets intact into a self-directed RRIF. However, some changes to the portfolio may be necessary to provide the income needed for your income payments.

Can I hold foreign content in my RRIF?

Yes, like your RRSP, you can hold up to 30% of your book value in foreign securities. If you exceed this limit, there is a penalty tax of 1% per month on the amount over the limit.

Can a spousal RRSP be transferred in a RRIF?

Spousal RRSPs must be transferred into a spousal RRIF. As long as only minimum amounts are withdrawn from the RRIF, then no attribution rules apply and all income is attributed to the annuitant. However, if a withdrawal in excess of the minimum amount is made within three years of a spousal contribution to any spousal RRSP, then that income will be attributed back to the spousal contributor.

What are the minimum amounts that must be withdrawn from a RRIF?

The minimum amounts are calculated as a percentage of the value of your RRIF at the beginning of each year.

Amendments to the rules pertaining to RRIF payments were made in the Federal Budget of 1992. Under the old rules, RRIF accounts had to be closed when the client reached 90.

The new rules allow for RRIF payments until the death of the plan holder. If you elect to open your RRIF prior to age 69, or you use the age of your younger spouse, your minimum will be calculated by the formula :

RRIF Value as at Dec. 31st of Previous Year = Minimum Annual Payment 90 minus age. For example, if you were 65 and the value of your RRIF at Dec. 31st, 2004 was \$150,000, your 2005 payment would be:

$\frac{150,000}{90-65} = \$6,000$	$\frac{\text{RRIF Value as at Dec 31}^{\text{st}} \text{ of Previous Year}}{90 \text{ minus age}} = \text{minimum annual payment}$
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The old payout schedule applies if:

the client or spouse is 71 to 77 inclusive and the RRIF was opened prior to 1993, the client or spouse (if spouse's age is being used) is younger than 70

The new payout schedule applies if:

the client or spouse (if spouse's age is being used) is age 78 or greater, the RRIF was opened after 1992, or RRIF assets transferred in or after 1993, from a RRIF account that was originally opened before 1993.

Age	%	Age	%	Age	%
69	4.76	78	8.33	87	11.33
70	5.00	79	8.53	88	11.96
71	7.38	80	8.75	89	12.71
72	7.48	81	8.99	90	13.62
73	7.59	82	9.27	91	14.73
74	7.71	83	9.58	92	16.12
75	7.85	84	9.93	93	17.92
76	7.99	85	10.33	94+	20.00
77	8.15	86	10.79		

Is withholding tax charged on the amount I withdraw?

Withholding tax is not charged on the minimum payments. However, it will be charged on all amounts withdrawn that exceed the yearly minimum.

Are there any exceptions to taking the minimum?

The only year in which you are not required to take a minimum payment is the year in which you open the RRIF. As a result, any payments you do take in that year will be subject to withholding tax.

Why would I use my spouse's age to determine my RRIF payments?

Using a younger spouse's age to calculate your RRIF payments does not mean you can defer taking minimum payments. Instead, using your younger spouse's age will result in lower minimum payments, which could result in more growth potential for your RRIF. This is a good strategy if you do not need your RRIF income as the main source of your retirement income,

Should I name my spouse as beneficiary for my RRIF?

If you name your spouse (or common-law spouse) as beneficiary, they have the following options: payments may continue with your spouse as “successor annuitant”, your spouse may collapse the existing RRIF and roll the funds into a new RRIF with a new payment schedule, your spouse may roll the RRIF into an RRSP if they are less than age 69, your spouse may elect to collapse the RRIF and take the funds as taxable income in one lump sum payment. Your advisor can provide you with more information on Estate and Tax Planning.

Where can I get more information on my retirement options?

Your advisor can provide you with a copy of the ScotiaMcLeod brochure entitled Retirement Income: Considering the Options, which details the features and benefits of both RRIFs and Annuities.