

Knowing Your Retirement Income Options

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Getting Started

Making Informed Decisions About Retirement Income

Introduction

You've planned ahead by saving for your retirement... you've taken responsibility for your own financial future... and you're ready to enjoy all the leisure and opportunity available to you.

But now there's a major decision to make: What do you do with your retirement savings? It's an important question for two reasons:

- 1) A decision made today could "lock you in" to a fixed income for the rest of your retirement years.
- 2) What you do with your retirement savings can impact the lifestyle you plan to enjoy during your retirement.

There is a surprisingly wide choice of retirement income options available today – much wider than the choices facing your parents when they retired. While having so many options is good in some ways, it can also be confusing unless you understand the different options and are able to choose the ones best suited to your needs.

Which is where this brochure comes in.

Your credit union wants you to reap maximum enjoyment from the retirement savings you've accumulated over the years. This booklet provides you with basic information on the retirement income options currently available. While it won't answer every conceivable question, it will give you enough background to begin choosing the options best suited to your needs.

A Few Things To Remember

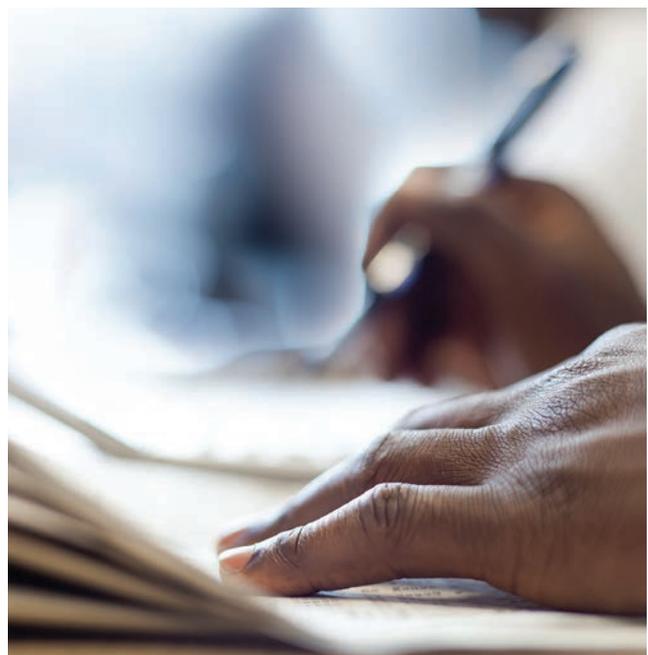
Some of the terms used in discussing retirement income options could be a bit confusing at first, especially terms such as LIRA, LIF, Annuitant, Joint and Last Survivor, and so forth. We'll describe them as we go and we've included a short Glossary at the end of the brochure to help.

You can convert your RRSP to one or several of the Retirement Income Options described in this brochure at any age, but you must terminate it no later than December 31 of the year in which you turn 71. While you could withdraw all the money from your RRSP as a lump sum before then, by far the best choice is to transfer the funds to an option that will make payments to you over a period of time and continue tax sheltering income earned in the plan until funds are withdrawn.

Also, some rules about retirement income vary from province to province. We'll identify these for you.

While we've tried to make this brochure as complete as possible, a final decision should only be made after a good deal of research and thought by you, some discussion with your spouse/common-law partner* and/or children, and consultation with a knowledgeable credit union financial advisor.

** The terms "spouse" and "spousal" are used throughout this brochure and are intended to include a "common-law partner". Please refer to the discussion of "spouse/common-law partner" in the Glossary.*



Destination RIO

When you're ready to convert your savings to income, you're dealing with a Retirement Income Option, or "RIO". A RIO is a financial product which becomes your own personal pension plan. It may be purchased from a credit union, trust company, insurance company, investment brokerage, mutual fund dealer or bank.

The money to purchase your RIO comes from the funds accumulated in your Registered Retirement Savings Plan (RRSP), your Registered Pension Plan (RPP), your Deferred Profit Sharing Plan (DPSP), or a combination of any of these.

Think of a RIO this way: For much of your working life, you've been paying into your RRSP, RPP or DPSP. Over all those years, you've had a goal or destination in mind. Now that you've reached it, it's time for those plans to start paying you.

THREE RIO CHOICES AVAILABLE TO EVERYBODY

All Canadians may choose from three different ways of generating retirement income from their RRSPs. These are:

- 1) A **Registered Retirement Income Fund (RRIF)** puts you in control of your investment and the amount of income it pays you.
- 2) A **Life Annuity** guarantees a fixed income.
- 3) A **Term Certain Annuity to age 90 (TCA 90)** gives you some control over the investment and earnings.

SIX MORE CHOICES THAT MAY APPLY TO LOCKED-IN PENSION FUNDS

- 1) Most pension jurisdictions provide the option of a Life Income Fund (LIF) which combines the benefits of both an RRIF and a Life Annuity.
- 2) The Federal Pension Benefits Standards Regulations, 1985 includes Restricted Life Income Funds (RLIF). The annuitant of a locked-in RRSP/LIF is permitted to transfer the funds to an RLIF. The RLIF is similar to an LIF, but the RLIF includes the one-time 50% unlocking option.
- 3) Newfoundland and Labrador permits a Locked-in Retirement Income Fund (LRIF). The LRIF functions like an LIF, but the maximum payments are based on the rate of return on the investments.
- 4) Saskatchewan pension legislation permits the annuitant to transfer to a Saskatchewan Prescribed RRIF (see page 16).
- 5) Manitoba pension legislation permits the annuitant to transfer 50% of an LIF/RPP to a Manitoba Prescribed RRIF (see page 17).
- 6) The Income Tax Act Regulations permit Variable Benefit (RRIF/LIF type payments) from a money purchase pension plan. Alberta, British Columbia, Manitoba, Nova Scotia, Federal PBSA, 1985 and Saskatchewan pension legislation permits Variable Benefit payments from the RPP.

Locked-in RRSPs and LIRAs do not permit withdrawals prior to retirement. You must convert the funds to an LRIF, an LIF or a Life Annuity by December 31 of the year you reach 71 years of age.

We'll deal with all nine retirement income options in this brochure. First, take a moment to think about the following questions, and indicate your response in the appropriate area. Here's where you may want to discuss your reply with your spouse.

Your Retirement Needs and Assets

A decision on your RIO should not be made on the spur of the moment. You've worked many years to reach this point, so it deserves careful thought before making your choice.

The following is not a budget but a method of evaluating your retirement needs. By thinking about the issues below, you will be better prepared to make decisions on various retirement options.

NOTE:

- 1) *The figures do not account for income tax payable.*
- 2) *Consider your health prospects in the near and long term. A dramatic change in your health will have a similar impact on your expenses and lifestyle.*
- 3) *A budget is invaluable to people living on a fixed income. Please do not use this as a substitute for a budget, but merely as a guide to your overall retirement income needs.*

Your Lifestyle

- 1) When you retire, you plan to:
 - Remain in your current home
 - Sell and purchase another home
 - Sell and rent another home/apartment
 - Keep your current home and live in a second location for part of the year
- 2) How much do you plan to travel during your retirement?
 - As much as possible
 - Some/more than now
 - Almost none

- 3) During your retirement, you plan to:
 - Change your activities very little
 - Spend more time and money on hobbies, sports or entertainment
 - Work on a part-time basis

Your Expenses

Of your current expenses, how much will you maintain during your retirement?

Household:	\$_____/month
Personal:	\$_____/month
Travel/Entertainment:	\$_____/month
Other:	\$_____/month
TOTAL future monthly expenses:	\$_____/month

Your Retirement Assets

- 1) From all your qualified sources, how much do you estimate will be available to transfer to your RIO?

From your RRSP:	\$_____/month
From your RPP:	\$_____/month
From your DPSP:	\$_____/month
TOTAL RIO investment funds available:	\$_____/month
- 2) What monthly income sources do you estimate you'll be receiving – other than your RIO?

From your employer pension:	\$_____/month
From Old-Age Security (OAS)*:	\$_____/month
From Canada Pension Plan**:	\$_____/month
From other sources (investments, TFSA, etc.):	\$_____/month
TOTAL other monthly income anticipated:	\$_____/month

* Currently \$614.14 per month (as of 2020), payable at age 65 but reduced as net income rises.

** Check your most recent CPP statement.

Your Independence

Which of the following statements best describes your attitude toward investing your retirement funds? You may change your mind when you finish this brochure and have learned more about RIOs. If you're completing this with your spouse, be sure to note his/her choices.

- I want a fixed, predictable income with total security.
- I want a fixed income with some control over the terms.
- I want an income that grows to account for inflation, with fixed terms.
- I want an income that grows to account for inflation, with flexible terms.
- I want some flexibility in income and investment.
- I want maximum flexibility in income and investment options.

Your Expectations

No one can predict future inflation rates, of course. But everything will cost more as the years pass. Your own anticipated inflation rates will affect your decision on a RIO.

Your retirement plans assume annual inflation to be:

- Minimal – not a serious concern (1–3%).
- Some, but I can accommodate it (3–5%).
- High enough to deal with seriously (5–8%).
- Substantial (8%+)

What year do you plan to retire? _____

How many years will you and your spouse require income from your RIO? _____

Think about your answers to these questions as you read this brochure and absorb information on the various RIOs available to you.

A Brief Word About Taxes

All the money you've been putting away over the years in your RRSP, RPP and DPSP was not taxed. In addition, the interest or other earnings accumulated over the years has also been free of taxation as long as it remained in the registered plan.

When you terminate ("collapse", "roll over" or "transfer") your registered plans, all the money remains sheltered from tax if you move it to a RIO. Only when the money is withdrawn from your RIO as income does it become taxable.

If you terminate your registered funds by withdrawing them as a lump sum, the total amount becomes immediately subject to income tax. This is the best reason for not making lump-sum withdrawals.

Payments received from any RIO qualify for the pension income tax credit if you are age 65 or older – or regardless of age, if received as a result of the death of your spouse.

In addition, the Income Tax Act permits pension income splitting between spouses. A taxpayer may allocate up to 50% of pension income with his/her spouse under a joint election made by the taxpayer and his/her spouse.

RETIREMENT INCOME OPTION: Registered Retirement Income Fund (RRIF)

REGISTERED RETIREMENT INCOME FUND (RRIF)

Description:

Plans registered with the CRA designed to provide payments to you, subject to an annual minimum.

Most important qualities:

The most flexible RIO: You control both the amount and frequency of payments and the types of investment. At death, the balance is available for survivors.

Best suited for:

People who want to make their own decisions (subject to government limitations) regarding retirement income and people for whom estate preservation is important.

Two things happen during the life of an RRIF:

- 1) The RRIF earns money from investments, just as your RRSP did while you were contributing to it.
- 2) The RRIF makes payments to you according to a formula selected by you in accordance with the CRA's requirements.

The investments in your RRIF are the same as those which qualify for RRSP investments, such as savings accounts, term deposits, mutual funds, stocks, bonds or mortgages. The selection is determined by you.

RRIF investments should be chosen for both income and security. You do not want to choose investments which may decline in value and interfere with your planned retirement income.

Before you open an RRIF, ask about deposit insurance protection. RRIF investments are insured in the same fashion as RRSPs. There is no insurance against loss on mutual funds, stocks, bonds or mortgages held in your RRIF.

Rules Regarding Withdrawals

You must withdraw at least the "annual minimum amount" from your RRIF each year. For details on the annual minimum amount you must withdraw from your RRIF, check the chart on the next page or talk to your credit union's financial advisor.

You withdraw money from the RRIF according to one of three options chosen by you. Those are:

The Annual Minimum Amount Option, which guarantees you will receive payments from your RRIF for life.

The Specified Payment Amount Option, which enables you to select a payment amount exceeding the annual minimum amount. You may change the payment amount from time to time.

The Specified Term Payment Option, which enables you to choose payments over a fixed number of years.

Each option has certain advantages, as well as choices to be made if you select that option. Unlike a defined benefit pension, you can exhaust funds in your RRIF so the life of the income stream is dependent on the amount of your withdrawals. Fortunately, you're not locked into one payment option or another for life; each year you can change the payment plan to accommodate your changing needs, depending on the types of investments you've chosen for your RRIF and the amount of funds remaining in it.

Annual Minimum Amount Option: The Simplest Formula to Meet CRA Requirements

No payment is required from your RRIF in the first year; however, CRA requires that a minimum amount be paid out in following years. Choosing this option ensures that your RRIF will continue to generate funds for your lifetime (and that of your spouse, if you choose). The annual minimum payments can be based on your age or the age of your spouse (the “age base”). If you use your spouse’s age and she/he is younger than you, the annual minimum amount would be lower; however, if your spouse is older than you the annual minimum amount would be higher.

There are two minimum payment formulas that apply:

Qualifying RRIF for RRIFs bought with RRSP transfers made before January 1, 1993 (and not added to since).

General RRIF for an RRIF first funded after December 31, 1992.

RRIF Minimum Withdrawal Factors

AGE	FACTOR
to age 70	1/90 minus your age on Jan. 1
age 71 to 94	A percentage of plan value on Jan. 1 (see chart on next page)
age 95+	20% of plan value on Jan. 1

The percentages are applied to the value of your RRIF at the beginning of the year, according to your age at that time or the age of your spouse if you have chosen that option.

Your Age	RRIF Funded Before January 1, 1993 (Qualifying RRIF) Calculate:	RRIF Funded After December 31, 1992 (General RRIF) Calculate:
Under 71	1/(90 - Age)	1/(90 - Age)
71	5.26%	5.28%
72	5.40%	5.40%
73	5.53%	5.53%
74	5.67%	5.67%
75	5.82%	5.82%
76	5.98%	5.98%
77	6.17%	6.17%
78	6.36%	6.36%
79	6.58%	6.58%
80	6.82%	6.82%
81	7.08%	7.08%
82	7.38%	7.38%
83	7.71%	7.71%
84	8.08%	8.08%
85	8.51%	8.51%
86	8.99%	8.99%
87	9.55%	9.55%
88	10.21%	10.21%
90	10.99%	10.99%

Chart continued on next page.

Your Age	RRIF Funded Before January 1, 1993 (Qualifying RRIF) Calculate:	RRIF Funded After December 31, 1992 (General RRIF) Calculate:
90	11.92%	11.92%
91	13.06%	13.06%
92	14.49%	14.49%
93	16.34%	16.34%
94	18.79%	18.79%
95+	20.00%	20.00%

Specified Payment Amount Option: Changing Amounts to Meet Changing Needs

By the time you reach retirement age, nobody has to tell you life rarely goes according to plan. That's a reason to consider this choice.

With the Specified Payment Option, each year you can determine how much money you wish to take from the plan and how often. For example, one year you may need \$500 a month from the plan; the next year you may want only a single payment of \$1,000. As long as the amount meets the annual minimum amount requirements for the pre-determined age base and your investment selection, it's your choice to make.

Specified Term Option: A Good Way to 'Bridge' Your Income

Instead of specifying the amount of income you want from your RRIF, you may want to specify the number of years the RRIF will pay you before it is depleted.

For example, you might choose this option if you retire at age 55 with an RRSP, but are not eligible immediately for other retirement incomes such as a company pension plan, CPP or OAS. If that's the case, you could convert your RRSP to an RRIF which would pay an income until the other sources begin.

NOTE: Specified Payment Amount and Specified Term options do not ensure an income for life.

Cash Withdrawals: Always an Option for Special Occasions

You're enjoying your retirement, with sufficient income for your needs and you want to "kick up your heels" a little, perhaps by taking that ocean cruise you always dreamed about or by adding a new sundeck to your house.

With an RRIF, you have the option of making cash withdrawals – but only if the nature of your RRIF investments permits them. Talk to a qualified credit union staff member for details.

Taxation

All payments from your RRIF must be declared as income for the year in which you receive them. At the end of the year, you receive a T4RIF slip showing the full amount of RRIF payments received and the withholding tax deducted on the excess.

Withholding tax will be deducted from your RRIF payments as follows:

- If you receive only the annual minimum amount for a year, no withholding tax is deducted.
- If you receive more than the annual minimum amount for a year, the amount in excess of the annual minimum amount is subject to withholding tax, which will be deducted from the payment. The amount deducted depends on the amount withdrawn from your RRIF that year in excess of the annual minimum amount.

Note that all funds withdrawn from a RRIF are taxable.

AMOUNT WITHDRAWN IN EXCESS OF ANNUAL MINIMUM AMOUNT FOR THE YEAR	WITHHOLDING TAX DEDUCTED AT SOURCE
Up to \$5,000	10%
\$5,000.01 to \$15,000	20%
Over \$15,000	30%

Example:

\$9,000	Withdrawn from RRIF
- \$3,600	Minimum Annual Requirement
<hr/>	
\$5,400	Excess Subject to Withholding Tax
x 20%	Withholding Tax Rate
<hr/>	
\$1,080	Withholding Tax

The \$1,080 withholding tax would be remitted on your behalf to CRA by your financial institution.

NOTE: If your personal tax credits on your tax return will result in no tax liability on your total income, including payments from your RRIF, you may complete and file a TD1 with your credit union to have less tax withheld from your RRIF payments.

A new TD1 must be completed each year.

Special Tax Rules Apply to RRIFs Purchased with Spousal RRSPs

RRIFs purchased with funds from a spousal RRSP may be subject to “attribution rules”.

If a contribution has been made to a spousal RRSP in the year the payment from the RRIF is received or the two preceding years, payments in excess of the annual minimum payment amount are taxed as income of the contributor.

Although the payment is made to the RRIF annuitant, he or she must claim only the annual minimum amount as income. The balance must be claimed by the contributing spouse.

Normal withholding tax rules apply.

Your RRIF in the Event of Your Death

If any funds remain in your RRIF, your surviving spouse may assume ownership of the plan or transfer the funds to his or her own RRIF or annuity. If he or she is not older than 71, the funds may be transferred to an RRSP. If you have named your spouse as successor annuitant, assets can be transferred to their plan in kind.

There are provisions for the transfer of an RRIF, without immediate taxation, to a dependent child or grandchild who is financially dependent on the deceased annuitant. Restrictions apply. If eligible, that recipient may qualify for a tax-free rollover of the funds to his/her RDSP.

If you have not specified your spouse as beneficiary of your RRIF (or your spouse predeceases you), funds in your RRIF will be paid in a lump sum to your estate or named beneficiary. The estate is responsible for any tax owing.

In most provinces, you are permitted to name a beneficiary directly on the RRIF itself rather than by Will. Check with your estate planner for more details.



RETIREMENT INCOME OPTION: Life Annuity

LIFE ANNUITY

Description:

A RIO that pays out the full amount of principal and income earned in regularly scheduled payments by age 90.

Most appealing qualities:

The security of an annuity with some investment control. At death, amounts are available to survivors.

Best suited for:

People seeking security for their investment with the chance to react to changing economic conditions.

At one time, the majority of Canadians with savings to invest for their retirement chose a Life Annuity.

In recent years, the flexibility offered by RRIFs has made them more attractive to most people. However, new features available in Life Annuities have generated new interest in them.

One way to understand a Life Annuity is to compare it with a life insurance policy. Both are available only through insurance companies and a Life Annuity is like a life insurance policy in reverse. With a life insurance policy, you make regular payments to the insurance company; with a Life Annuity, the insurance company pays you as long as you're alive... and may pay a beneficiary, depending on the type of annuity you purchase.

Most life insurance companies are members of a consumer protection plan which is intended to safeguard your Life Annuity income if the company fails to meet its obligations.

When discussing Life Annuities, you will usually hear the term "buy". And that's exactly what you do: You buy the annuity with the funds in your RRSP.

Just as you do when you buy a new car or refrigerator, you can shop around for a Life Annuity, making your purchase on the basis of the company offering the largest income and the largest payment upon your death. You might also consider the reputation and financial stability of the insurance company.

NOTE: Lump sum cash withdrawals are not available with annuities.

The Life Annuity offered will vary in payment from one insurance company to another, but all will consider the following factors:

Age

How many years can the insurance company expect to pay you an income?

Current Interest Rates

How much can the insurance company expect to earn from your funds?

Gender

Statistically, women live longer than men, meaning their annuity payments tend to be lower. Some insurance companies are offering unisex rates for Life Annuities.

RRSP Funds

More funds purchase a bigger annuity resulting in higher payments.

Single or Joint Life

If an annuity purchased to provide an income for a couple guarantees continued income for the surviving spouse, payments are adjusted according to the spouse's gender and age.



TWO BASIC TYPES OF LIFE ANNUITIES

The two basic types of life annuities available are Single Life, and Joint And Last Survivor. The amount you receive depends on the plan you choose.

- 1) **Single Life** annuities are based entirely on your age and gender, and cease entirely upon your death – whether this occurs twenty days or twenty years after you purchase the annuity. The advantage of a Single Life Annuity is that it provides the highest payment amount.
- 2) **Joint and Last Survivor** annuities ensure an income for the surviving spouse. Payments cease upon the death of both spouses. If desired, you can arrange a Joint and Last Survivor annuity which reduces payments upon the death of one spouse, providing more money while both are alive.

Additional Features Add Flexibility

Insurance companies offering life annuities continue to add more flexibility to their products in order to compete with RRIFs. Here are some features which allow you to adjust your annuity according to your anticipated needs:

- 1) **Guaranteed Period.** This option ensures that payments will continue should you die within the period selected by you. You can choose guaranteed periods from 5 years up to age 90; the longer the guaranteed period, the lower the payments. If you die before the period ends, your annuity payments continue throughout the guaranteed period to your spouse or an amount is paid to your estate. You can even combine Guaranteed Period and Joint Life features in your annuity, which may provide an estate should both spouses die within the guaranteed period.
- 2) **Integrated Income.** If you retire before age 65, when you would traditionally begin receiving Old Age Security payments, you could purchase a Life Annuity which decreases at 65. This would generate a higher income prior to age 65, with the OAS funds making up the difference after 65.
- 3) **Indexing for Inflation.** Over the years, inflation can “eat away” at a fixed income. To overcome this, you can build an indexing factor of 1% to 4% annually into your annuity payments, increasing their amount each year to accommodate inflation. Be aware, however, that this can substantially reduce your income in the initial years of your annuity.
- 4) **Commutable Life Annuities.** Some insurance companies offer life annuities which can be cashed-in prior to death. These are subject to restrictions and penalties if the annuity is terminated.

Taxation

All income received from an annuity is considered taxable and must be claimed as such when you file your annual tax return. Withholding tax is not deducted from annuity payments.

RETIREMENT INCOME OPTION: Term Certain Annuities to Age 90

TERM CERTAIN ANNUITIES TO AGE 90 (TCA 90)

Description:

A RIO that pays out the full amount of principal and income earned in regularly scheduled payments by age 90.

Most important qualities:

The security of an annuity with some investment control. At death, amounts are available to survivors.

Best suited for:

People seeking security for their investment with the chance to react to changing economic conditions.

Designed to provide regular income until you and/or your spouse reach age 90, TCA 90s generate payments from earned interest plus portions of the principal. If you choose a TCA 90, the payments to you would be based on a combination of three factors: your age, the amount originally invested, and the rates of interest earned during the terms of the annuity.

In the event of your death prior to age 90, a TCA 90 may continue to make payments to your spouse until what would have been your 90th year, or the value of the annuity may be paid as a lump sum to your spouse, depending on the terms of the annuity. If there is no spouse at the time of your death prior to age 90, the full value of the annuity would be paid in a lump sum to your estate.

As an alternative when you purchase the annuity, you may direct payments to continue until your younger spouse turns 90. This decreases the amount of annual payments, but increases the number of years.

Choosing Limited Investment Control

A basic TCA 90 will pay a guaranteed amount through the term of the annuity.

You may choose to have limited investment control over the way your funds are deposited so that the annuity earnings and payments are periodically adjusted with changes in interest rates. If you choose this option, you must make a key decision which directly affects the income earned for the rest of the annuity.

How long is the term for the annuity deposit?

Once chosen, this term is automatically renewed over the life of the annuity; it cannot be changed. For example, if you choose a fixed rate five-year term deposit, the annuity will earn that amount for five years. When renewed, the interest rate in effect *at that time* will continue for the next five years, and so on.

Be aware: When choosing a TCA 90 with limited investment control, your income is subject to changing interest rates. For example, a fixed rate five-year term at today's rate may look unattractive now. But in five years, when the term is automatically renewed, the interest may be much higher and your income could increase accordingly. It could also be lower, resulting in a drop in income.

The guiding rule: Be prepared for fluctuations.

All payments from TCA 90s are taxable income, reported on a T4A form mailed to you at the end of each year.

NOTE: You can always switch from an RRIF to an annuity, if you wish, by "spending" the capital in your RRIF to buy the annuity. In some cases, you may also be able to convert an annuity to an RRIF. Check the terms of your annuity before signing to see if this option is available to you.

RETIREMENT INCOME OPTION: Life Income Fund (LIF)

LIFE INCOME FUND (LIF)

Description:

In some jurisdictions, LIFs provide payments for life by acting as an RRIF to age 80; by then, the balance must be converted to a Life Annuity or, if provided for in the applicable jurisdiction, to a LRIF.

LIFs governed under Saskatchewan's pension legislation may transfer to a Saskatchewan Prescribed RRIF. LIF governed under Manitoba pension legislation may transfer to an Manitoba Prescribed RRIF*.

The Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec and Federal PBSA, 1985, pension legislation do not require termination of the LIF at age 80. A Newfoundland and Labrador LIF must be converted to an LRIF or Life Annuity by age 80. In Saskatchewan, an LIF must be converted to a Saskatchewan Prescribed RRIF or Life Annuity by age 80.

** The Manitoba pension legislation provides the option of transferring up to 50% of a Manitoban LIF/RPP to a Manitoba Prescribed RRIF. Pre-approval from the Manitoba Superintendent of Pensions is required.*

Most appealing qualities:

Flexibility in the early years of your retirement and security in later years.

Best suited for:

Those with "locked-in" funds in RRSPs (except in Saskatchewan) or Registered Pension Plans.

LIFs combine the features of a Life Annuity and an RRIF, and were introduced as an alternative to Life Annuities for pension funds.

In those jurisdictions where an LIF must be terminated at age 80, the LIF functions like an RRIF, providing you with flexibility in both your investment decisions and amount of payment made.

On December 31 of the year you reach your 80th birthday (or before then, if you so choose), the LIF must be converted to a Life Annuity, generating a fixed income*.

** In Newfoundland and Labrador, the funds can also be transferred to an LRIF (see LIF Payment Options below for more information).*

Sources of Funds

If you have saved for retirement in one of the following types of plans, an LIF may be ideal for your needs. The plans are:

- 1) Registered Pension Plan (RPP).
- 2) Locked-in Registered Retirement Savings Plan (Locked-in RRSP).
- 3) Locked-in Retirement Account (LIRA).
- 4) Locked-in Retirement Income Fund (LRIF), in certain jurisdictions.
- 5) Variable Benefit Account (VBA).

Participation in one of the above plans does not automatically ensure that you can convert it to an LIF upon retirement, even if you reside in a province with legislation that permits LIFs. Check with your pension administrator.

Locked-in RRSPs and LIRAs must be converted to an eligible RIO by December 31 of the year you reach 71 years of age.

Payment Options

An LIF can be purchased from credit unions, trust companies, insurance companies, banks and other organizations approved by the regulator of pensions in your province.

If you choose an LIF, you must withdraw annual minimum payments according to current RRIF levels; maximum payments are calculated based on the average yield of Government of Canada marketable bonds. Depending on the governing jurisdiction, legislation may provide for adjustments to this rate should the rate be less than six per cent. Within these limits, you can make annual adjustments to the payment amount and frequency according to the agreement with the carrier administering the LIF.

Note:

- Under Newfoundland and Labrador pension jurisdiction, the LIF must be converted to an LRIF or Life Annuity by age 80. Under Saskatchewan pension jurisdiction, the LIF must be converted to a Saskatchewan Prescribed RRIF or Life Annuity by age 80. Future payments are governed by the conditions of the new contract.
- In jurisdictions besides Saskatchewan, Newfoundland and Labrador, your LIF can continue.
- Under Alberta, New Brunswick, Ontario, British Columbia and PBSA, 1985 pension jurisdiction, the maximum payment restriction continues to age 90.
- Under Manitoba, Nova Scotia and Québec pension jurisdictions, payments from an LIF will continue for your life.

LIFs may be purchased in all provinces except Saskatchewan and Prince Edward Island. In addition, each province controls the design of LIFs, creating differences in their characteristics.

Taxation and Estate Considerations

LIF payments are taxed identically to those received from an RRIF. Withholding tax is applied only to the portion of income above the annual minimum amount level. You will receive a T4RIF slip at the end of each taxation year recording the amount withdrawn and the withholding taxes paid.

If you should die before your LIF has been converted to an annuity, your spouse assumes ownership of the plan.

Once the plan has been converted to an annuity, however, payments continue to your spouse according to the terms of the annuity.

NOTE: Some jurisdictions permit the spouse to waive their entitlement and permit the annuitant to name a different beneficiary. In most jurisdictions the lock-in restrictions do not apply to spouses – allowing full control of funds. If you are not survived by a spouse, the funds are paid out to your estate or a named beneficiary.

RETIREMENT INCOME OPTION: Restricted Life Income Fund (RLIF)

RESTRICTED LIFE INCOME FUND (RLIF)

Description:

The RLIF is similar to an LIF governed under the Federal Pension Benefits Standards Act, 1985 (PBSA, 1985) pension jurisdiction.

Most appealing qualities:

In addition to providing the flexibility in the early years of your retirement and security in the later years, the RLIF includes a one-time 50% unlocking option.

Only available for:

Those with “locked-in” pension funds governed under Federal PBSA, 1985 pension jurisdiction.

Sources of Funds

If you have retirement savings in one of the following types of plans, an RLIF may be ideal for your needs:

- 1) Registered Pension Plan (RPP).
- 2) Locked-in Registered Retirement Savings Plan (Locked-in RRSP).
- 3) Life Income Fund (LIF).
- 4) Restricted Locked-in Savings Plan (RLSP).

Participation in one of the above plans does not automatically ensure that you can convert to an RLIF upon retirement. Check with your pension plan administrator.

Locked-in RRSPs and RLSPs must be converted to an LIF, RLIF or Life Annuity by December 31 of the year you reach 71 years of age.

Payment Options

If you choose an RLIF, you must withdraw annual minimum payments according to the current RRIF levels; maximum payments are calculated based on the average yield of Government of Canada marketable bonds. Within these limits, you can make annual adjustments to the payment amount and frequency according to the agreement with the carrier administering the RLIF.

There is no requirement to convert the RLIF to a Life Annuity at age 80.

Taxation and Estate Considerations

RLIF payments are taxed identically to those received from an RRIF. Withholding tax is applied only to the portion of income above the annual minimum amount level. You will receive a T4RIF slip at the end of each taxation year recording the amount withdrawn and the withholding taxes paid.

If you should die before your RLIF has been depleted, your spouse assumes ownership of the plan. The lock-in restriction continues and the spouse may transfer remaining funds to a Locked-in RRSP, RLSP, LIF, RLIF or Immediate Life Annuity. If you are not survived by a spouse, the funds are paid out to your estate or a named beneficiary.

RETIREMENT INCOME OPTION: Locked-In Retirement Income Fund (LRIF)

LOCKED-IN RETIREMENT INCOME FUND (LRIF)

Description:

An RRIF which must make payments for life by regulating the maximum payment withdrawn in any year.

Most appealing qualities:

Flexibility of income and investments throughout the entire term of the plan. At death, the balance is available to survivors.

Only available for:

Those with “locked-in” pension funds governed under Newfoundland and Labrador pension jurisdiction.

Saskatchewan LRIF is not available for purchase. LRIF opened prior to April 1, 2002 will continue until depleted or transferred to a SK Prescribed RRIF.

Ontario LRIF is not available for purchase. LRIF opened prior to 2009 will continue until depleted or transferred to an LIF.

The key differences between an LIF and an LRIF are the maximum payment calculation and the elimination of the need to convert the plan to a Life Annuity at age 80.

An LRIF functions like an RRIF with one exception: the plan must provide payments for life; it cannot be terminated before you die. Cash withdrawals are permitted as long as the total of any withdrawals and regular payments does not exceed the maximum allowable each year.

Sources of Funds

Funds from an LRIF can come from the following types of plans governed under the Newfoundland and Labrador pension jurisdiction:

- 1) Registered Pension Plan (RPP).
- 2) Locked-in Retirement Account (LIRA).
- 3) Life Income Fund (LIF).

Payment Options

Payment options allow you to choose any amount between the Annual Minimum Amount and Maximum Payment.

The annual minimum amount is calculated the same as an RRIF. The maximum amount varies depending on the governing jurisdiction. You can make annual adjustments to your payment amount as long as the payment is over the minimum and under the maximum amount.

Taxation and Estate Considerations

LRIF payments are taxed the same way as those received from an RRIF. Withholding tax is applied only to that portion of income above the Annual Minimum Amount level. You will receive a T4RIF slip at the end of each taxation year recording the amount withdrawn and the withholding taxes paid.

In the event of your death, your surviving spouse assumes ownership of the LRIF. The lock-in restrictions drop on death of the annuitant, allowing full control of funds. If there is no surviving spouse, any funds remaining in your LRIF are paid to your estate or named beneficiaries.

NOTE: Ontario and Newfoundland and Labrador pension jurisdictions permit the spouse to waive their entitlement and permit the annuitant to name a different beneficiary.

RETIREMENT INCOME OPTION: Saskatchewan Prescribed RRIF

SASKATCHEWAN PRESCRIBED RRIF

Description:

An RRIF governed under Saskatchewan pension legislation.

Most appealing qualities:

The funds are not locked in; no maximum payment restriction; flexibility of income and investments throughout the entire term of the plan. At death, the balance is available to survivors.

Only available for:

Those with funds governed under Saskatchewan pension regulations. Although you cannot co-mingle locked-in funds from other pension jurisdictions, the Saskatchewan pension legislation does permit co-mingling of non-locked-in funds with funds locked-in under Saskatchewan pension legislation. Check with your credit union to determine if your Saskatchewan Prescribed RRIF is permitted to hold non-locked-in funds.

The key difference between an LIF or LRIF and a Saskatchewan Prescribed RRIF is the elimination of the maximum payment restriction.

A Saskatchewan Prescribed RRIF functions like an RRIF.

Sources of Funds

Funds for a Saskatchewan Prescribed RRIF can come from the following types of plans:

- 1) Registered Pension Plan (RPP).
- 2) Locked-in Retirement Account (LIRA).
- 3) Life Income Fund (LIF).
- 4) Locked-in Retirement Income Fund (LRIF).
- 5) Saskatchewan Pension Plan (SPP).

Participation in one of the above plans does not automatically ensure that you can convert to a Saskatchewan Prescribed RRIF upon retirement even if you reside in Saskatchewan. Check with your pension administrator.

LIRAs do not permit withdrawals prior to retirement. You must convert the funds to a Saskatchewan Prescribed RRIF or a Life Annuity by December 31 of the year you reach 71 years of age.

You can choose the same payment options available for an ordinary RRIF.

Taxation and Estate Considerations

Saskatchewan Prescribed RRIF payments are taxed the same way as those of an RRIF. Withholding tax is applied only to the portion of income above the annual minimum amount level. You will receive a T4RIF slip at the end of each taxation year recording the amount withdrawn and the withholding taxes paid.

In the event of your death, your surviving spouse assumes ownership of the Saskatchewan Prescribed RRIF. Your spouse may waive his/her entitlement, thereby allowing you to designate someone other than your spouse as the beneficiary of your Saskatchewan Prescribed RRIF. If you are not survived by a spouse, the funds are paid out to your estate or a named beneficiary.

RETIREMENT INCOME OPTION: Manitoba Prescribed RRIF

MANITOBA PRESCRIBED RRIF

Description:

An RRIF governed under Manitoba pension legislation.

Most appealing qualities:

The funds are not locked in; no maximum payment restriction; flexibility of income and investments throughout the entire term of the plan. At death, the balance is available to survivors.

Only available for:

Those funds governed under Manitoba pension regulations.

The key difference between an LIF and a Manitoba Prescribed RRIF is the elimination of the maximum payment restriction.

A Manitoba Prescribed RRIF functions like an RRIF.

Sources of Funds

Funds for a Manitoba Prescribed RRIF can come from the following types of plans:

- 1) Life Income Fund (LIF).
- 2) Registered Pension Plan (RPP).

Manitoba pension legislation permits an LIF/RPP annuitant, who is at least 55 years of age, a one-time transfer of 50% of each LIF/RPP contract to an Manitoba Prescribed RRIF. Pre-approval from the Manitoba Superintendent of Pensions is required. The eligible amount is restricted by outstanding spousal entitlements and orders under *The Garnishment Act* or *The Family Maintenance Act*.

You can choose the same payment options available for an ordinary RRIF.



Taxation and Estate Considerations

Manitoba Prescribed RRIF payments are taxed the same way as those received from an RRIF. Withholding tax is applied only to the portion of income above the annual minimum amount level. You will receive a T4RIF slip at the end of each taxation year recording the amount withdrawn and the withholding taxes paid.

In the event of your death, your surviving spouse assumes ownership of the Manitoba Prescribed RRIF. Your spouse may waive his/her entitlements, thereby allowing you to designate someone other than your spouse as the beneficiary of your Manitoba Prescribed RRIF. If you are not survived by a spouse, the funds are paid to your estate or a named beneficiary.

RETIREMENT INCOME OPTION: Variable Benefit Account

VARIABLE BENEFIT ACCOUNT (VBA)

Description:

The Income Tax Act permits RRIF-type pension payments from a VBA under a defined contribution pension plan.

Most appealing qualities:

Your pension funds remain with, and invested by, the pension plan administrator. You have flexibility to increase or decrease your payments within the guidelines of the Income Tax Act and the pension plan. On the death of the former pension member, the balance is available to survivors.

Only available for:

Defined contribution pension plans that have been amended to permit this type of pension income.

The key difference between a VBA and an LIF/LRIF/RLIF/Prescribed RRIF is that the funds remain with the pension plan administrator.

Sources of Funds

Funds for a VBA can come from:

- 1) Registered Pension Plan (RPP).
- 2) Locked-in Retirement Account (LIRA).
- 3) Life Income Fund (LIF).
- 4) Saskatchewan Prescribed RRIF.

Alberta and British Columbia pension legislation will permit the transfer of the LIRA/LIF to an RPP to receive LIF type payments; referred to as a LITB Account (Life Income Type Benefit Account).

Manitoba and Nova Scotia pension legislation will permit the transfer of a LIRA/LIF to an RPP to receive LIF type payments.

Saskatchewan pension legislation will permit the transfer of a LIRA/Saskatchewan Prescribed RRIF to an RPP to receive RRIF type payments.

Flexibility in Investments for LIF, RLIF, LRIF, Prescribed RRIF

You have a wide range of investments to choose from, such as:

- Variable and fixed-term deposits (including Guaranteed Investment Certificates and Term Deposits).
- Mutual funds.
- Qualified stocks and bonds.

Once you've converted your funds to an LIF, RLIF, LRIF or Prescribed RRIF you must begin receiving payments no later than the following year. But here's an interesting option:

Until age 71, you can terminate your LIF, LRIF or Saskatchewan Prescribed RRIF and convert it back to a Locked-in RRSP, LIRA or RLSP.

For example, this would be an appealing option if you retire at age 60, with extra income anticipated from OAS, CPP and other pension sources when you reach 65. You could receive an income from your LIF, LRIF, RLIF or Saskatchewan Prescribed RRIF until then, convert the plan back to a Locked-in RRSP/LIRA/RLSP to build value, and reactivate it as an LIF, LRIF, RLIF, RLSP or Saskatchewan Prescribed RRIF, whenever you choose (although this must happen by the end of the year you reach 71). (Alberta and Ontario LIF cannot transfer to a LIRA. PBSA, 1985 LIF can be transferred to a PBSA, 1985 Locked-in RRSP, but not RLSP. PBSA, 1985 RLIF can be transferred to a PBSA, 1985 RLSP).

Where Do You Go From Here?

We suggest a visit to your credit union.

Qualified staff will be pleased to discuss your retirement options with you, and explain in more detail some of the plan features and options.

Above all, don't be overwhelmed by the choices listed here. In many ways, this wide range is designed to benefit you by providing flexibility to meet your individual and changing needs.

You've worked hard to reach a point where you can take control of your retirement income.

Your credit union wants to work just as hard to help you choose the ideal plan for you.

For further information on whether your defined contribution pension plan permits RRIF/LIF-type payments, you are encouraged to contact the pension plan administrator.

Glossary

Annuitant

The person to whom payments are made from an annuity OR the person who owns an RRSP or RRIF.

Annuity

A contract between an individual and an insurance company where, in exchange for a one-time payment, the insurance company guarantees to make regular payments to the annuitant according to an agreed-upon schedule.

CRA

Canada Revenue Agency.

CPP

Canada Pension Plan. A federal government plan to which employees and employers make contributions, and which pays a pension to contributors or their survivors at retirement.

Deposit Insurance

Insurance coverage for deposits at credit unions, trust companies and Canadian banks in the event the financial institution is unable to repay its depositors.

DPSP

Deferred Profit-Sharing Plan. A registered plan to which an employer credits selected employees with a share of profits of a business, if any. DPSP credits in a year reduce deductible RRSP contributions the following year.

Joint and Last Survivor

In an annuity, a contract which continues to make payments after the death of one spouse for the rest of the other spouse's life.

LIF

Life Income Fund.

LIRA

Locked-in Retirement Account.

LRIF

Locked-in Retirement Income Fund.

Manitoba Prescribed RRIF

A Registered Retirement Income Fund restricted by Manitoba pension legislation.

Mutual Fund

A financial product in which many people pool their money to be invested by professional investment managers.

OAS

Old Age Security. A monthly payment from the federal government to qualified residents or former residents of Canada, beginning at age 65 but may be deferred up to age 70.

RIO

Retirement Income Option.

RPP

Registered Pension Plan. A registered plan funded by the employer and employees to provide a pension income to employees.

RLIF

Restricted Life Income Fund governed under Federal Pension Benefits Standards Regulations, 1985.

RLSP

Restricted Locked-in Savings Plan governed under Federal Pension Benefits Standards Regulations, 1985.

RRIF

Registered Retirement Income Fund.

RRSP

Registered Retirement Savings Plan. A registered plan in which you save money for your retirement years. Contributions, within annual limits, are tax deductible and the income earned is tax sheltered. RRSP funds must be used to purchase a RIO before the end of the year you turn 71.

Single Life

In an annuity, a contract which ceases making payments upon your death.

Saskatchewan Prescribed RRIF

A Registered Retirement Income Fund restricted by Saskatchewan pension legislation.

Spouse/Common-Law Partner

Income tax legislation defines the term "spouse" to be an individual who is a party to a legal marriage.

The term "common-law partner" is defined as two persons, regardless of sex, who cohabit in a conjugal relationship and who have cohabited throughout the 12-month period that ends at that time. This period can be less than 12 months if both partners are the natural or adoptive parents of the same child, or if one common-law partner has a child who is wholly dependent on the other for support and over whom the other has custody. The term "common-law partner" does not apply if at the particular time the individuals were separated for 90 days or more due to a breakdown of the conjugal relationship.

NOTE: Pension legislation in the various jurisdictions also defines the term "spouse" and other individuals who have similar rights under the applicable legislation.

TCA

Term Certain Annuity: a contract which distributes all principal and interest to an annuitant in regularly scheduled payments for a specific period of time.

TCA 90

Term Certain Annuity to age 90.

Term Deposit

An investment which pays a fixed interest rate to the depositor for a fixed period of time.

VBA

Variable Benefit Account that provides RRIF/LIF type payments under a defined contribution pension plan.

Withholding Tax

Tax deducted from a payment to you and remitted to CRA as a credit toward income tax payable by you.



www.cambrian.mb.ca

To learn more about Retirement Income Options [click here](#).



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The information in this publication is summary in nature and does not constitute legal or financial advice. This brochure is provided by your local credit union and is designed to inform you about retirement income options.

For more information about these or any other financial product, please contact our knowledgeable staff.