

LIF and LRIFs – Tips and Considerations

Life Income Funds (LIF)

A LIF is similar to a Registered Retirement Income Fund (RRIF), except the LIF is locked-in and has additional restrictions which vary slightly from province to province.

While both a RRIF and a LIF require that you take a minimum payment out of the plan each year, there are two major differences between the plans. First, while there is no maximum withdrawal limit on a RRIF, the LIF places a limit on your annual withdrawals. Secondly, if your LIF is regulated by the province of Newfoundland, you must purchase a life annuity (which must include a 60% spousal survivor benefit, unless your spouse waives this requirement) by the end of the year in which you celebrate your 80th birthday. Plans regulated by Newfoundland can also be rolled into an LRIF.

The maximum LIF payments for Quebec, Manitoba, Nova Scotia and British Columbia plans will continue to be determined in the same manner as prior to age 80; however, the maximum will level off at 20% by age 88.

In New Brunswick, Ontario, Saskatchewan, Newfoundland and federally, the maximum LIF payments beyond age 80 increase quickly and in the year you turn 90 you may withdraw up to 100% of the plan value. In Alberta, in the year you turn 85 you may withdraw up to 100% of the plan value. At that time, you may purchase an annuity and/or convert the LIF into a RRIF.

Calculating the maximum withdrawal

The maximum annual withdrawal permitted under a LIF is established by a formula. Each year the amount that you

can take out of your LIF will vary depending on your age and the value of your plan at the beginning of the year.

Below is an example of an individual who, on January 1, is 65 years old and has a LIF valued at \$100,000 that is governed by Ontario legislation. The minimum and maximum amounts that can be withdrawn for 2017 are calculated as follows:

| LIF valued at \$100,000 | |
|--|---|
| Minimum Withdrawal | Maximum Withdrawal |
| $100,000 \times 4.0\% =$ \$4,000 | $100,000 \times 7.38\% =$ \$7,380 |

Note: All amounts are gross.

Assuming the LIF was established prior to 2017, our 65 year old must withdraw at least \$4,000 and, if he or she wishes, could withdraw up to a maximum of \$7,380.

Withdrawals in the first year

In the first year a LIF is opened, there is no minimum withdrawal required; however, if you choose to make a withdrawal, there is still a maximum ceiling. For plans regulated by Ontario and Newfoundland, the maximum is pro-rated for the number of months remaining in the year, including the month you transfer into the plan.

Locked-in Retirement Income Funds (LRIF)

If your pension plan is regulated by the province of Newfoundland, you have the additional option of transferring your locked-in plan to an LRIF. New LRIFs accounts can only be set up under Newfoundland & Labrador legislation. While an LRIF has a minimum and maximum withdrawal limitation, you do not have to purchase a life annuity at age 80. This means you may continue to manage the investments in your LRIF for as long as you live.

The minimum annual payment from an LRIF is the same as a LIF; however, the maximum annual withdrawal for old LRIFs is usually calculated as the greater of: the investment earnings from the account in the previous year, or an amount determined by multiplying the beginning of year balance by a prescribed factor, which depends on current long term interest rates and the plan owner's age.

In Newfoundland, the maximum annual withdrawal is

the greatest of:

- (a) the income, gains and losses earned from the time the plan was established to the end of the most recently completed fiscal year
- (b) the income, gains and losses earned in the immediately previous fiscal year
- (c) if the payment is being made in years 1 and 2 of a new LRIF, the maximum rate is 6% of the fair market value of the plan

Note: If the minimum you are required to withdraw exceeds the maximum, the minimum prevails.



We encourage customers to think about both the financial and non-financial aspects of retirement. This information is intended to provide you with a starting point for some of the things that you may wish to consider for your retirement. Upon reviewing this material, if you have any questions with regards to your specific personal situation we recommend seeking advice from a qualified professional.



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