

# LIFs, LRIFs & LIFE ANNUITIES

## Life Income Funds (LIF)

A Life Income Fund (LIF) is a registered plan that contains funds that originated from your company pension plan. Until now, you have been using your LIF to provide a regular income stream to help you fund your retirement income needs. This choice has allowed you to continue to manage your investments and retain some control over the payments received.

However, depending on the pension legislation that governs your plan, you may have to mature your LIF by the end of the year you celebrate your 80<sup>th</sup> birthday.

You may have several choices depending on the legislation that regulates your plan. The LIF may:

- continue beyond age 80;
- be transferred to a Locked-In Retirement Income Fund (LRIF);
- be transferred to a prescribed Registered Retirement Income Fund (RRIF) in the province of Saskatchewan
- provide for a one-time transfer of up to 50% of the balance to be transferred to a prescribed RRIF in the province of Manitoba
- be transferred to a guaranteed life annuity.

Selecting the right maturity options for your LIF requires planning. The following is a brief review of the options available.

### Continue LIF beyond age 80

If your LIF is federally regulated or regulated by the province of Quebec, Alberta, New Brunswick, Manitoba, Nova Scotia or British Columbia, you are not required to purchase an annuity at age 80. The maximum LIF payments for Quebec, Manitoba, Nova Scotia and B.C. 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.

## MATURITY OPTIONS AT AGE 80

Pension Act	Continue LIF	LRIF	Annuity	Prescribed RRIF
Newfoundland		X	X	
Nova Scotia	X		X	
New Brunswick	X		X	
Quebec	X		X	
Ontario		X	X	
Manitoba	X	X	X	X
Saskatchewan			X	X
Alberta	X		X	
British Columbia	X		X	
Federal	X		X	

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

### Locked-In Retirement Income Funds (LRIF)

If your LIF is regulated by the province of Manitoba, Ontario or Newfoundland you may transfer your LIF to an LRIF. An LRIF also places a minimum and maximum withdrawal limitation, but 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 LRIF payment is the same as a LIF; however, the maximum limit is calculated as the greater of:

- (a) the investment earnings (including unrealized capital gains and losses and excluding withdrawals) in the previous year;

(b) the market value at January 1 minus the net value of all transfers ever made into and out of the plan (not including withdrawals); and

(c) in all provinces except Saskatchewan, if funds are transferred from a LIF, payment in the 2nd year is equal to the investment earnings in the previous year from both the LIF and LRIF plans.

Note: In years 1 and 2 of a new LRIF, the maximum rate is 6%. In year 3, the above calculation applies

### Prescribed RRIF (P-RRIF)

Saskatchewan and Manitoba have another maturity option called the Prescribed RRIF (P-RRIF). The P-RRIF provides increased flexibility in determining withdrawals because P-RRIFs do not have a maximum annual withdrawal limit. Unlike a regular RRIF, the P-RRIF is governed by provincial pension legislation. Saskatchewan no longer offers LIFs or LRIFs as a maturity option for locked-in funds. Instead, individuals have the option to roll the funds into a P-RRIF. If you currently have a Saskatchewan LIF or LRIF you may continue with those plans or roll them into a P-RRIF. Manitoba allows for a one-time transfer of up to 50% of the balance in a LIF or LRIF into a P-RRIF.

### Guaranteed Life Annuity

Even if you are not required to mature your LIF at age 80, you may decide to purchase a guaranteed life annuity. You may prefer the security of knowing what your monthly income will be without having to worry about the annual market fluctuations that can alter your withdrawal amounts. You may convert your LIF to a life annuity at any time. A guaranteed life annuity provides a series of periodic payments which you are guaranteed to receive for the rest of your life. The annuity payment will be influenced by such items as the value of your plan, your age, current interest rates, how long a period you

### 2007 MINIMUM & MAXIMUM LIF WITHDRAWALS

Age <sup>(1)</sup> On Jan. 1 <sup>st</sup>	LIF Minimum <sup>(2)</sup>	Alberta	Nfld., Sask., & Ont.	B.C., Que., Man., & N.S.	N.B.	Federal
70	5.00%	9.71%	8.22%	7.9%	8.22%	7.14%
71	7.38%	10.15%	8.45%	8.1%	8.45%	7.37%
72	7.48%	10.66%	8.71%	8.3%	8.71%	7.63%
73	7.59%	11.25%	9.00%	8.5%	9.00%	7.93%
74	7.71%	11.96%	9.34%	8.8%	9.34%	8.27%
75	7.85%	12.82%	9.71%	9.1%	9.71%	8.66%
76	7.99%	13.87%	10.15%	9.4%	10.15%	9.12%
77	8.15%	15.19%	10.66%	9.8%	10.66%	9.64%
78	8.33%	16.90%	11.25%	10.3%	11.25%	10.26%
79	8.53%	19.19%	11.96%	10.8%	11.96%	10.99%
80	8.75%	22.40%	-	11.5%	12.82%	11.87%
81	8.99%	27.23%	-	12.1%	13.87%	12.95%
82	9.27%	35.29%	-	12.9%	15.19%	14.30%
83	9.58%	51.46%	-	13.8%	16.90%	16.03%
84	9.93%	100%	-	14.8%	19.19%	18.36%
85	10.33%	-	-	16.0%	22.40%	21.61%
86	10.79%	-	-	17.3%	27.23%	26.50%
87	11.33%	-	-	18.9%	35.29%	34.66%
88	11.96%	-	-	20.00%	51.46%	50.99%
89	12.71%	-	-	20.00%	100%	100%
90	13.62%	-	-	20.00%	-	-
91	14.73%	-	-	20.00%	-	-
92	16.12%	-	-	20.00%	-	-
93	17.92%	-	-	20.00%	-	-
94	20.00%	-	-	20.00%	-	-
95	20.00%	-	-	20.00%	-	-

<sup>(1)</sup> In all provinces except New Brunswick, the minimum withdrawal may be based on spouse's age. For all provinces, the maximum withdrawal is based on the annuitant's age.

<sup>(2)</sup> No withdrawal required in the first year LIF is established.

want your payments guaranteed in the event of death, and whether all or a portion of the payments are to continue for your spouse's lifetime.

If you are required to convert your LIF this year or you would like to discuss your situation in more detail, contact your BMO Nesbitt Burns Investment Advisor.

Wealth Management Group  
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