

# Registered Retirement Income Funds

## RRIF Payout Schedule

Canadians are living longer. Approximately one out of every three individuals who are 70 years of age will be blowing out candles on their 90th birthday.

In recognition of this fact, in 1992 amendments were made to the formula that determines the minimum amount you must withdraw from your Registered Retirement Income Fund (RRIF) each year.

Under the old rules, your RRIF had to be wound up by age 90. Now, because of the changes, you may receive RRIF payments for as long as you live. To facilitate this, the percentages used to determine your minimum annual payment each year were changed. The schedule in the adjacent chart shows the minimum annual payment percentage that you must take out of your RRIF depending on when you opened your plan. RRIFs established before 1993 get preferential treatment (i.e. the minimum annual withdrawal limit is lower) from ages 71 to 77.

Two important features of a RRIF remain the same:

- You may use the younger spouse's age to calculate your minimum RRIF payments. This will keep your required RRIF minimum withdrawals as low as possible. While you must withdraw a minimum amount (beginning in the calendar year following the year in which RRIF was established), there is no maximum withdrawal limit.
- You may take as much out of your RRIF as you want, whenever you want. Of course, the downside to all of this flexibility is that, if you take too much money out, your RRIF may expire before you do.

## RRIF Withdrawals

For example, if you were 73 years old on January 1st and had \$100,000 in your RRIF, the minimum amount you would have to withdraw this year would be:

### Pre-1993 RRIF

- $\$100,000 \times 5.88\% = \$5,880$

### Post-1992 RRIF

- $\$100,000 \times 7.59\% = \$7,590$

| Minimum Annual RRIF Payments   |                               |                              |
|--|-------------------------------|------------------------------|
| (as a percent value of the fair market value of assets at the beginning of year) |                               |                              |
| Age on January 1   | RRIFs Established before 1993 | RRIFs Established after 1992 |
| 65   | 4.00                          | 4.00                         |
| 66   | 4.17                          | 4.17                         |
| 67   | 4.35                          | 4.35                         |
| 68   | 4.55                          | 4.55                         |
| 69   | 4.76                          | 4.76                         |
| 70   | 5.00                          | 5.00                         |
| 71   | 5.26                          | 7.38                         |
| 72   | 5.56                          | 7.48                         |
| 73   | 5.88                          | 7.59                         |
| 74   | 6.25                          | 7.71                         |
| 75   | 6.67                          | 7.85                         |
| 76   | 7.14                          | 7.99                         |
| 77   | 7.69                          | 8.15                         |
| 78   | 8.33                          | 8.33                         |
| 79   | 8.53                          | 8.53                         |
| 80   | 8.75                          | 8.75                         |
| 81   | 8.99                          | 8.99                         |
| 82   | 9.27                          | 9.27                         |
| 83   | 9.58                          | 9.58                         |
| 84   | 9.93                          | 9.93                         |
| 85   | 10.33                         | 10.33                        |
| 86   | 10.79                         | 10.79                        |
| 87   | 11.33                         | 11.33                        |
| 88   | 11.96                         | 11.96                        |
| 89   | 12.71                         | 12.71                        |
| 90   | 13.62                         | 13.62                        |
| 91   | 14.73                         | 14.73                        |
| 92   | 16.12                         | 16.12                        |
| 93   | 17.92                         | 17.92                        |
| 94   | 20.00                         | 20.00                        |
| 95   | 20.00                         | 20.00                        |
| 96   | 20.00                         | 20.00                        |
| ↓  | ↓                             | ↓                            |

If you only withdraw the required minimum amount, there will be no withholding tax deducted from your payment. However, the amounts withdrawn from your RRIF must be included as income for tax purposes for the year of the withdrawal which will be subject to income tax depending on your marginal tax rates and any available tax credits or deductions. If you take more than the minimum amount out of your RRIF, you will be subject to withholding tax. When you prepare your annual income tax return, the tax withheld is reported as tax already paid.

### RRIF Formula Prior to Age 71

The following RRIF formula is used to determine your minimum RRIF payments if you are 70 years old or younger.

| Table   |                          |
|---|--------------------------|
| Value of RRIF at Beginning of Year 90 minus Your Age at the Beginning of the Year | = Minimum Annual Payment |

For example, on January 1st, if you were 65 years old and had \$100,000 in your RRIF, the minimum you would have to take out this year is \$4,000 or \$100,000 divided by 25 (90 – 65).

To make things easier for you, on the chart on the front page, we've done the math back to age 65. If you want to begin your RRIF even earlier, you will need to apply the above formula.

At BMO Nesbitt Burns, you may choose to make withdrawals monthly, quarterly, semi-annually or once a year. You can choose to receive a cash payment or withdraw securities from your account.

### Points for Consideration

- While you may make a withdrawal in the year you open your RRIF, you are not required to do

so. Your first required RRIF payment will be calculated on January 1st of the year after you open the plan. You then have until the end of the year to make your minimum annual withdrawal. But if you do make a withdrawal in the first year, it will be subject to withholding tax.

- If you combine two RRIFs, both of which were set up prior to 1993, the combined RRIF will still be governed by the percentages for RRIFs purchased before 1993. You may also transfer a pre-1993 RRIF from one financial institution to another without affecting its pre-1993 status.
- If you combine two RRIFs, one set up before 1993 and the other started after 1992, the new combined RRIF will be governed by the percentages for RRIFs purchased after 1992.
- If you have an RRSP as well as a RRIF purchased before 1993, and at some future date you roll the RRSP money into the pre-1993 RRIF, the entire RRIF will have to begin using the percentages for RRIFs opened after 1992 for calculating all future minimum payments. If you want to avoid this, you would need to set up a second RRIF to accept the RRSP funds.

### Spousal RRIF

If you have a Spousal RRSP that you have converted to a RRIF, you do not have to wait three years from the time of the last contribution to make a withdrawal as long as you only withdraw the minimum amount. If you withdraw more than the minimum amount, the excess amount will be subject to the three year attribution rule and may be taxed in your spouse's hands.

If you would like more information, please contact your BMO Nesbitt Burns Investment Advisor or visit the BMO Nesbitt Burns office nearest you.

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