

## Understanding the Registered Retirement Income Fund (RRIF)

Your RRSP is designed to receive contributions during your working years to help save for your retirement. At some point however, you will want, or need, to convert your RRSP to an income-paying vehicle to help meet your retirement income needs. You can convert all or part of your RRSP to the following options at any age, although federal rules mandate that you convert all of your RRSP by the end of the year in which you turn 71:

- Cash out your RRSP: The lump sum payment would be treated as taxable income in the year it is received, likely pushing you into a significantly higher tax bracket.
- Purchase an annuity: This is purchased from an insurance company, using some or all of your RRSP value, creating a guaranteed payout to you based primarily on your age, health and prevailing interest rates. There can be survivor benefits for your spouse, and a variety of other guarantees, though these options would lower the guaranteed payments. Typically there is no residual benefit for your estate.
- Convert to a Registered Retirement Income Fund (RRIF): The RRIF is essentially a continuation of your RRSP, as you can retain all the investments you held in the RRSP. Investment income continues to grow tax-free. The essential difference is that the RRIF is designed to pay out an income to you over the year, which you can receive as monthly, quarterly or annual payments.

Many opt to convert their RRSP to a RRIF, as this allows you to maintain your current investment portfolio, provides flexibility in amounts withdrawn, and the entire residual balance can flow tax-deferred to a surviving spouse upon your death. If there is no surviving spouse (or dependent child), the residual balance would be a taxable asset to your estate. Withdrawals from a RRIF are treated as fully taxable income. If you and your spouse are both age 65 or older, you can elect to split this income on your tax returns to equalize income and potentially reduce your overall taxation. In addition, your RRIF withdrawal would be eligible for the federal pension tax credit.

Once you have converted your RRSP to a RRIF, you are required to withdraw at least the “minimum amount” as income in the following year. This minimum amount is a prescribed percentage set by the federal government, where a higher age dictates a higher mandated minimum withdrawal. If you have a younger spouse or common-law partner, you can elect to base the minimum calculation on their age to reduce this mandated required RRIF withdrawal amount.



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You also have the option to withdraw more than the minimum amount, should it be needed or desired, without restriction. However, if you have a 'locked-in' RRIF, where funds came from a locked-in RRSP or pension, then you would be subject to a maximum withdrawal limit in addition to the minimum RRIF payment.

The minimum withdrawal amount is a percentage calculation, based on your age and the value of your RRIF on December 31 of the previous year, using the following schedule:

Age at Start of Year	Minimum Withdrawal Factor	Age at Start of Year	Minimum Withdrawal Factor	Age at Start of Year	Minimum Withdrawal Factor
65	4.00%	75	5.82%	85	8.51%
66	4.17%	76	5.98%	86	8.99%
67	4.35%	77	6.17%	87	9.55%
68	4.55%	78	6.36%	88	10.21%
69	4.76%	79	6.58%	89	10.99%
70	5.00%	80	6.82%	90	11.92%
71	5.28%	81	7.08%	91	13.06%
72	5.40%	82	7.38%	92	14.49%
73	5.53%	83	7.71%	93	16.34%
74	5.67%	84	8.08%	94	18.79%
				95+	20.00%

Consult your accountant and financial planner a few years in advance of turning 71 so that you can determine the best plan for conversion of your RRSP.