Prepare for Your Future

Options for Your Retirement Income

When you're ready to convert your retirement savings into income there are many options and factors to consider, depending on your needs and planned activities. Some options provide greater flexibility and allow you to make the investment decisions, while others can provide the comfort of guaranteed payments.

Your retirement income options are purchased with money from your registered retirement savings plan (RRSP), your registered pension plan, or your deferred profit-sharing plan (DPSP). They are in addition to your Canada Pension Plan (CPP) and Old Age Security (OAS).

You should consult your local credit union and the administrator of your pension plan on the particular options that apply where you live, since there are some provincial variations.

Options to Convert Your RRSP

You can convert your RRSP into income-paying options at any time, but you must terminate a plan by Dec. 31 of the year you turn 71. There are three options for converting your RRSP:

- A registered retirement income fund (RRIF) lets you control your investment and the income it pays you.
- A life annuity guarantees a fixed income until you die.
- A term-certain annuity to age 90 gives you some control over your investment and income.

Locked-in RRSPs, or locked-in retirement accounts (LIRA), don't allow withdrawals before retirement. You must convert them by Dec. 31 of the year you reach 71. There are three choices for locked-in RRSPs and pension funds:

1. A life income fund (LIF) combines the benefits of a RRIF and a life annuity.
2. A restricted life income fund (RLIF) is permitted by the Pension Benefits Standards Regulations 1985. It is designed for people whose pensions are federally regulated.
3. A life annuity.

Income Taxes

The money you have accumulated in your RRSP, RPP, and DPSP was not taxed. When you transfer it to a retirement income option it remains sheltered. Only when money is removed as income does it become taxable. If you terminate a registered fund by withdrawing the full amount, it is all taxable as income.

If you are 65 or older, payments from your retirement income qualify for a pension income tax credit. In addition, the Income Tax Act permits this income to be split between spouses. You can allocate up to 50% of your income to your spouse.

Retirement Income Options

Registered Retirement Income Fund (RRIF)

- Registered with the Canada Revenue Agency, a Registered Retirement Income Fund (RRIF) provides payments to you, which is subject to an annual minimum that increases as you age, however you can withdraw more funds if you wish.
- Income in your RRIF is all taxable.
- A RRIF is your most flexible retirement income option. You can control the amount and frequency of payments and the types of investments. When you die the remaining balance is available to your appointed beneficiaries.
- An RRIF is best suited for people who want to make their own decisions about their income and those who want to preserve their estates.
- You can have more than one RRIF and they can be self-directed.
- Withdrawal options:
    - The annual minimum amount, which guarantees you will receive payments for life.
    - The specified-payment amount, which enables you to select a payment exceeding the annual minimum. You can change that amount if you wish.
    - The specified-term payment option, which lets you choose payments over a fixed number of years.

Life Annuity

- A life annuity provides guaranteed, regular income payments for as long as you live. It will pay out the full amount of principal and income earned in regularly scheduled payments.
- With a life annuity you get the security of an annuity with some investment control. If you die before the end of your guaranteed annuity period, your beneficiary or loved one will receive the outstanding balance of income payments.
- This is most suitable for people who want security for their investments with the chance to react to economic changes.
- Life annuities are sold by insurance companies.
- All income from an annuity is taxable.
- Factors to consider:
    - Your age and how long you will get payments.
    - Current interest rates.
    - Women tend to live longer so their annuity payments are lower.
    - Couples should consider whether they want single or joint-life annuities. Joint-life ensures continued income for the surviving spouse. Payments are adjusted depending on the spouse's gender and age.

Term-Certain Annuities to Age 90

- Provide guaranteed income payments for a selected period of time. Your beneficiary will receive the balance of the guaranteed income

payments if you die before the end of the selected time period. No further payments are made after the end of the term.

- Term-certain annuities bought with money from an RRSP or RRIF must extend to age 90.
- Offers the security of an annuity with some investment control. At death, the outstanding amounts are available to survivors.
- Best for people seeking security of their investment with the chance to react to changing economic conditions.

Life Income Fund (LIF)

- If you have savings in a registered retirement plan, locked-in RRSP, locked-in retirement account (LIRA), locked-in retirement income fund (LRIF), or a variable benefit account, a Life Income Fund (LIF) may be ideal. Check with your pension administrator to determine whether you can transfer your accoun to a LIF.
- It combines features of a life annuity and a RRIF. Some provinces require you to terminate the LIF at age 80 and convert it to a RRIF.
- You must withdraw annual minimum payments, according to the current RRIF requirements.
- This investment product is not available in Saskatchewan and Prince Edward Island.

Restricted Life Income Fund (RLIF)

This differs from a RLIF in that it gives you a one-time opportunity to transfer up to 50% of your pension funds into a regular RRSP or RRIF. It caters to retirees with pensions that are federally regulated so they can transfer their federal pensions, locked-in retirement savings plans (LRSP) and LIFs into an RLIF.

Variable Benefit Account (VBA)

- This is similar to a LIF but provides retirement income directly from a pension plan with defined contribution provisions.
- Your funds remain with and are invested by your pension plan administrator.
- A variable benefit account is subject to minimum and maximum annual withdrawal limits.

This is only available if your defined-contribution plan has been amended to permit this type of pension income.

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