PART OF BMO'S *TAKE CHARGE OF YOUR RETIREMENT™* PROGRAM

RRIFs – Tips and Considerations

Registered Retirement Income Funds (RRIF)

A RRIF is very much like an RRSP in reverse. An RRSP is an account designed to help you save for retirement – a RRIF is an account designed to provide annual income in the form of withdrawals from a registered plan during your retirement.

Like an RRSP, the assets in the RRIF continue to be tax sheltered until withdrawn. With a RRIF you continue to control how your funds are invested and have access to many of the same investments you had with an RRSP.

Upon reviewing this material, if you have any questions with regards to your personal tax situation, it is recommended that you seek advice from a qualified tax professional.

When does your RRSP mature?

By December 31st of the year you turn 71, all of your RRSPs must either be:

- Converted to a RRIF;
- Taken in cash; or
- Used to buy an annuity

You may choose one or a combination of the maturity options listed.

What you need to consider?

Converting RRSPs to a RRIF

You have the opportunity to convert to a RRIF earlier than age 71

You can convert your RRSP savings into a RRIF at any time before you reach age 71 based on your personal circumstances. For example, some people choose to withdraw from their RRIF before they are eligible to receive CPP benefits. In general, the longer you delay withdrawing from a RRIF, the more potential you create for greater growth.

You can transfer assets from an RRSP to a RRIF "in kind"

Assets in an RRSP can be transferred to a RRIF without having to pay any income tax. You only pay tax once income is withdrawn from a RRIF. You can also transfer assets "in kind" to a RRIF which means these investments do not have to be sold – and there is no impact to their related interest rate or maturity date.

Minimum and mandatory withdrawal amounts

Canada Revenue Agency (CRA) requires that you take at least a minimum amount out of your RRIF each year; however, in any year you may withdraw more than the minimum amount if preferred.

Your withdrawal amount is based on your age and your RRIF market value

The minimum withdrawal amount is set on January 1st each year and is calculated based on 1) your age and 2) the market value in the account (both at January 1st of the current year). The following chart outlines the minimum annual RRIF withdrawals as a per cent of the asset values at the beginning of the year. (See chart on next page)

Minimum Withdrawal Amount					
Age on January 1st	Withdrawal Percent	Age on January 1st	Withdrawal Percent	Age on January 1st	Withdrawal Percent
65	4.00	75	7.85	85	10.33
66	4.17	76	7.99	86	10.79
67	4.35	77	8.15	87	11.33
68	4.55	78	8.33	88	11.96
69	4.76	79	8.53	89	12.71
70	5.00	80	8.75	90	13.62
71	7.38	81	8.99	91	14.73
72	7.48	82	9.27	92	16.12
73	7.59	83	9.58	93	17.92
74	7.71	84	9.93	94	20.00

You do not have to sell RRIF assets to make the RRIF minimum withdrawal

If you don't require the withdrawal as cash for income, you can transfer specific assets (total value at least equal to the minimum withdrawal amount) held in your RRIF to another type of investment account "in kind" without any sale. Note, if an "in kind" withdrawal exceeds the minimum withdrawal amount you will be subject to withholding tax and must have cash available in the RRIF to pay this amount.

How RRIF withdrawals are taxed

Any amount withdrawn from a RRIF is considered taxable income in the year withdrawn. Taxation rates vary by province and your personal income level. Taxes are charged on an aggregate basis.

If more than the minimum amount is withdrawn from your RRIF, withholding taxes apply

The government requires that some of the funds withdrawn from your RRIF are withheld for tax purposes, if more than the minimum amount is withdrawn. The actual amount withheld depends on the withdrawal amount and your province. This is considered a "pre-payment" against your annual income taxes owing. RRIF withdrawals must be included in your tax filing as taxable income. If there are any taxes owing or receivable, the adjustment will be made when the income tax return is filed. For amounts withdrawn above the minimum, the following withholding taxes will apply.

Amount with-drawn above the minimum amount	Withholding tax in all provinces, except Quebec	Withholding tax in Quebec
Up to $5,000	10%	21%
$5,001 to $15,000	20%	26%
More than $15,000	30%	31%

Spousal RRIF

Taxes payable on Spousal RRIF withdrawals

If you withdraw funds from your Spousal RRIF, when you file your final income tax return you will be taxed on the mandatory minimum withdrawal. If you withdraw more than the mandatory minimum, then the excess amount may be subject to attribution which means it will be taxable in the hands of the contributor and not the account holder. The attribution rule is a three year rule that attributes the excess amount to the contributor if spousal contributions were made in any of the three preceding years. Amounts that would be taxable in the hands of the contributor would not be more than the actual amount of spousal contributions in the preceding three years.

How can I get the most from my RRIF?

Tip: Postpone your first withdrawal

Your first withdrawal will have to be made by the end of the calendar year following the year the RRIF was established. This provides your RRIF with more time to grow tax sheltered.

Tip: If you are 65 or older, RRIF withdrawals qualify for the $2,000 Pension Income Tax Credit

When it comes time to file your personal tax return, remember that your RRIF withdrawals can qualify for the $2,000 Pension Income Tax Credit (if you are age 65 or older). This means you are entitled to deduct from your taxes payable, a tax credit on the first $2,000 of pension income received. You can start taking advantage of this as soon as you turn 65 by transferring $14,000 from a RRSP to a RRIF and taking out $2,000 per year from age 65 to 71 (inclusive). Depending on your marginal tax rate, this pension tax credit will reduce or eliminate the incremental tax otherwise owing on the additional $2,000 of qualifying income annually, to the extent that you are not otherwise taking advantage of this credit with other income.

Tip: Your minimum withdrawal amount can be calculated based on your spouse's age

If your spouse is younger than you, you may choose to have your minimum withdrawal amount calculated on his/her age. This will result in a minimum withdrawal amount that is lower than if the amount was calculated based on your age.

This is beneficial if you do not need all of your RRIF income right now. Lower payments leave more money invested in your RRIF, resulting in the potential for more tax sheltered growth. Anyone can choose to do this – you do not have to hold a Spousal RRIF or have your spouse named as your beneficiary. However, the age your RRIF withdrawal amount is based on cannot be changed in subsequent years.

Tip: You can customize the frequency in which you receive your RRIF income

You can select to receive you income from your RRIF on a schedule that works for you (monthly, quarterly, semi-annually, or annually). If your RRIF acts as your secondary source of income, you may prefer to choose less frequent withdrawals that coincide with expenses such as property taxes. Note, you can change your regular withdrawals any time you wish – the only requirement is that you withdraw at least the minimum withdrawal amount each year.

Tip: Splitting income with your spouse and double up on the pension credit

If you are 65 years or older, you can split up to 50% of your RRIF income with your spouse. Also, if your spouse is 65 years or older and does not otherwise have income that qualifies for the pension credit, by income splitting (allocating $2,000 of qualifying RRIF income to your spouse) your spouse can also qualify for the $2,000 pension income tax credit. This tax credit is obtained upon filing a personal income tax return.

Tip: Designating your loved ones as beneficiaries

You can simplify the transfer of funds to loved ones and save taxes by designating your spouse or dependent children or grandchildren as beneficiaries of your RRIF.

Tip: Set aside funds for taxes

RRIF withdrawals are considered taxable income. If you only withdraw the minimum amount, no taxes are withheld at source. As such, you should budget for taxes owing on this amount (actual amount determined based on your annual tax filing).

Tip: Continue making RRSP contributions after you turn 71

As long as you still have RRSP contribution room and your spouse is under the age of 71, you can make tax deductible contributions to a Spousal RRSP in your spouse's name.

We encourage clients 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.

Speak to your BMO Nesbitt Burns Investment Advisor to ensure that your financial plan is positioned to meet your retirement needs .

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