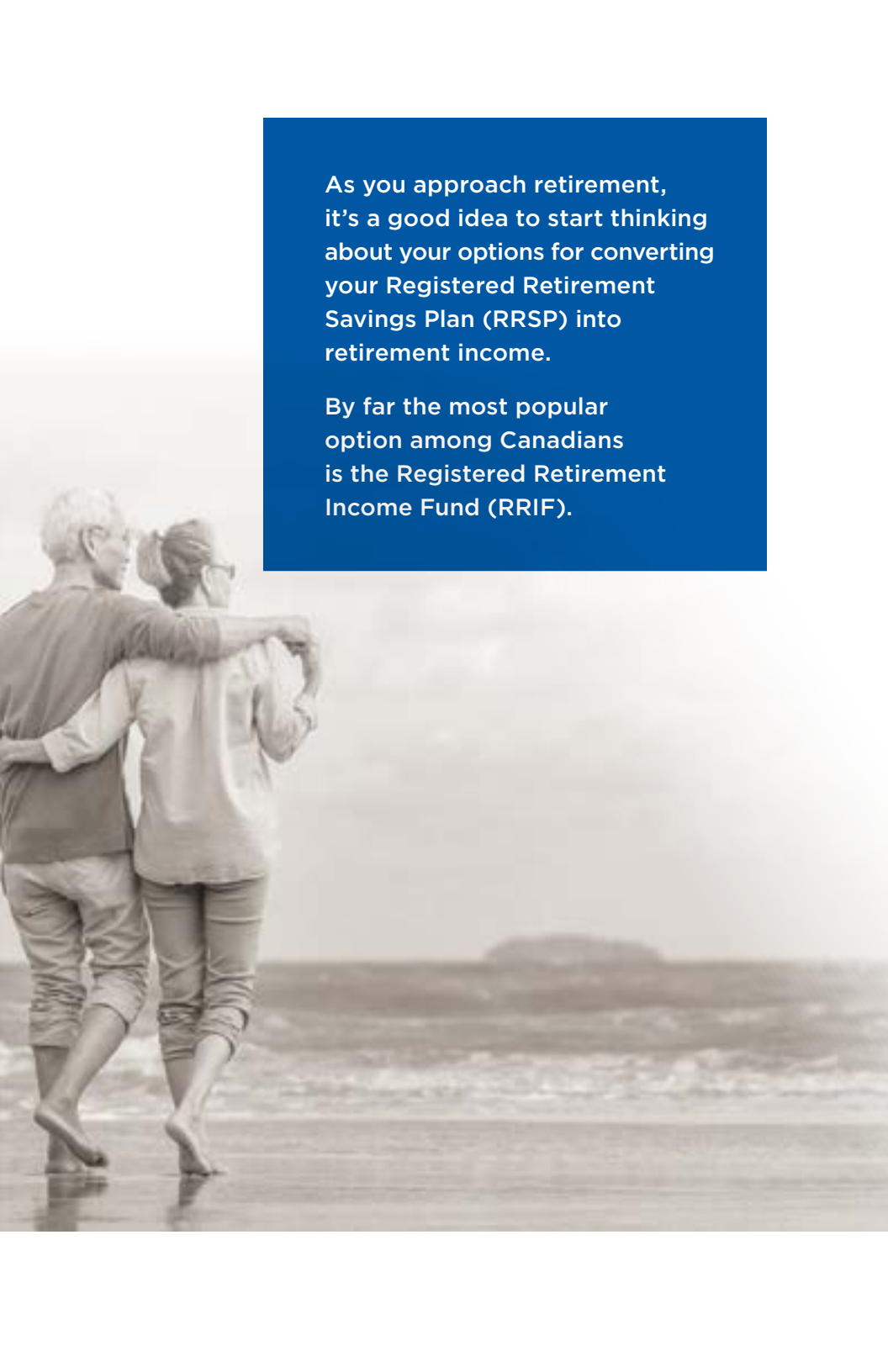




RRIF

What happens to
my RRSP savings
when I retire?

Shifting from an
RRSP to a RRIF.

A sepia-toned photograph of an elderly couple walking away from the camera on a beach. The man is on the left, wearing a dark long-sleeved shirt and light-colored pants, with his arm around the woman's shoulder. The woman is on the right, wearing a light-colored long-sleeved shirt and light-colored pants. They are walking on the wet sand of a beach, with waves breaking in the background under a cloudy sky.

As you approach retirement, it's a good idea to start thinking about your options for converting your Registered Retirement Savings Plan (RRSP) into retirement income.

By far the most popular option among Canadians is the Registered Retirement Income Fund (RRIF).

The basics:

What you need to know about RRIFs.

RRIFs explained

A RRIF is a registered investment account that's used to provide for income rather than savings. In other words, you don't make contributions to your RRIF; instead, you take the money that you've saved in your RRSP and put it into your RRIF to fund your retirement.

As with an RRSP, earnings on the investments inside your RRIF are tax-sheltered until they are withdrawn.

By converting your RRSP to a RRIF, you avoid cashing in your RRSP for a lump-sum payment, which would likely result in a significant tax hit.

A RRIF can generally hold the same types of investments as an RRSP.

Pension income tax credit

There are numerous tax benefits and credits designed to assist retirees in providing for their income needs. You can claim a tax credit equal to the lesser of your pension income received in the year or \$2,000. For this purpose, pension income includes RRIF income received beginning in the year you turn 65. Should you receive the amounts as a result of the death of a spouse or common-law partner, the RRIF income qualifies for the tax credit regardless of your age.

Making withdrawals

Depending on your income needs, you can set up your RRIF and start collecting retirement income before you turn 71. Each year, you will have to withdraw a minimum amount, which varies depending on your age.

Before you turn 71

Use the following three-step calculation to determine minimum withdrawals prior to age 71:

- 1 Subtract your age from 90.
- 2 Get the market value of your RRIF, either from your investment statements or by contacting your Investment Advisor or financial institution.
- 3 Divide the market value by the result of step 1. For example, if you were 67 on January 1, and your RRIF was worth \$100,000:
 - $90 - 67 = 23$
 - Market value: \$100,000
 - Minimum withdrawal: $\$100,000 \div 23 = \$4,348$

After you turn 71

If you're making withdrawals after you turn 71, your minimum withdrawal amounts are set by the government. The table below shows the government-mandated RRIF withdrawal minimums.

Age	Minimum % of RRIF assets	Age	Minimum % of RRIF assets	Age	Minimum % of RRIF assets
71	5.28	80	6.82	89	10.99
72	5.40	81	7.08	90	11.92
73	5.53	82	7.38	91	13.06
74	5.67	83	7.71	92	14.49
75	5.82	84	8.08	93	16.34
76	5.98	85	8.51	94	18.79
77	6.17	86	8.99	95+	20.00
78	6.36	87	9.55		
79	6.58	88	10.21		

Source: <http://www.cra-arc.gc.ca/gncy/bdgt/2015/qa02-eng.html>. As at December 31, 2020.

For example, if you're 75 with \$100,000 in your RRIF, your minimum withdrawal is $\$100,000 \times 5.82\%$ or \$5,820. Normally, the minimum withdrawal amount is based on your age. However, if you have a spouse who is younger than you, you may use your spouse's age to determine the minimum withdrawal amount. Importantly, you must make this decision before you make your first withdrawal, and you can't change your mind later on.

Your retirement income

The amounts given here are minimum withdrawal amounts. You can choose to withdraw more, depending on your income needs. When deciding how much to withdraw, think about all your sources of retirement income. These may include:

- Company pension
- Government benefits, such as Old Age Security (OAS)
- Canada Pension Plan payments
- Other income-generating investments you own outside of your registered plans, such as bonds, dividend-paying stocks, etc.

Remember, you'll be taxed on your total retirement income, including any money you withdraw from your RRIF.

Here's one more thing to keep in mind: the amount you receive from certain government benefits, specifically OAS, is determined based on your total taxable income. If your retirement income reaches a certain level, you may receive lower OAS payments – or none at all.

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