Transitioning to a retirement income

Most people focus their retirement planning efforts on reaching their retirement savings goals. Ensuring those savings provide you with an income stream for a retirement that could last 20 or even 30 years is another important part of the equation.

A Registered Retirement Income Fund allows investors to continue benefiting from tax-sheltered growth of their RRSP savings, while providing an income stream to support their retirement lifestyle.

What is a Registered Retirement Income Fund?

A Registered Retirement Income Fund (RRIF) is a registered account designed to give you a predictable flow of income in retirement.

Think of a RRIF as a Registered Retirement Savings Plan (RRSP) in reverse – RRSPs allow you to accumulate tax-sheltered savings for retirement, while your RRIF generates a taxable retirement income stream from these savings.

In other words, you make tax-deductible contributions to a RRSP and make taxable income withdrawals from a RRIF.

Benefits of tax-sheltered growth during retirement

- You can choose how and where the money in your RRIF is invested
- Investments and any compounding growth are tax-sheltered within the plan
- RRIF payments are similar to personal pension plan payments, but there are no maximums imposed on withdrawal amounts

How do I open a RRIF?

- An RRSP can be rolled into a RRIF at any time, but you are required to do so by the end of the year in which you turn 71. At that time, the RRSP matures and must be deregistered or converted to either a life annuity or a RRIF.
- To convert an RRSP to a RRIF, a RRIF account needs to be set up first and then assets from the RRSP can be transferred over 'in kind' without incurring a taxable transaction.

Can I contribute to an RRSP in the year I turn 71?

- Yes, a final RRSP contribution can be made until December 31 in the year that you turn 71.*

* The amount of the final contribution is calculated in the same way as a regular RRSP contribution – the lesser of $26,010 (for 2017) or 18% of earned income from your previous tax year, minus any pension adjustments, plus unused contribution room from previous years.

Can I continue to contribute to a spousal RRSP after I turn 71?

- Yes, you can continue to contribute to a younger spouse's RRSP up to, and including, the year in which your spouse turns 71.

What happens to my RRIF when I die?

Upon death, your RRIF can be transferred to your surviving spouse tax-free, if they are named as your beneficiary. In this case, the value of your RRIF will not be included in your estate when calculating probate fees.

What are you doing after work?®

Everything you need to know about your RRIF

How much do I need to withdraw?

- Each year (beginning the year following when the RRIF was opened), a taxable “annual minimum amount” must be withdrawn from your RRIF.
- The minimum is based on a set formula that takes into consideration your age (or your spouse’s age) and the market value of the account on January 1 of the withdrawal year.
- If your spouse is younger than you, you can use their age to calculate the annual minimum amount. The decision to use the younger spouse's age must be made before the first minimum withdrawal is received and cannot be revoked afterwards.
- You may start receiving withdrawals from the RRIF as soon as the account is set up, but the annual minimum payment must be taken by December 31 of the year following the one in which the RRIF was established and then each year thereafter. For example, if the RRIF is opened in August 2016, the first withdrawal must occur by December 31, 2017.

RRIF minimum withdrawal calculation table

AGE (at the beginning of the calendar year)	REQUIRED MINIMUM PAYMENT (as a % of the market value as of Dec. 31 of the previous calendar year)
<71	Formula is 1/(90-age)
71	5.28%
72	5.40%
73	5.53%
74	5.67%
75	5.82%
76	5.98%
77	6.17%
78	6.36%
79	6.58%
80	6.82%
81	7.08%
82	7.38%
83	7.71%
84	8.08%
85	8.51%
86	8.99%
87	9.55%
88	10.21%
89	10.99%
90	11.92%
91	13.06%
92	14.49%
93	16.34%
94	18.79%
95 or older	20.00%

Source: Canada Revenue Agency

RRIF Benefits

- **Consistency** – Your RRIF may be set up to deliver a continuous stream of income during retirement
- **Personalized** – You choose how the money within the RRIF is invested. RRIFs can act as your own personal, customizable pension plan
- **Efficient** – Investments can continue to grow on a tax-free basis within the plan
- **Seamless** – Income tax is deferred on the amount transferred from your RRSP until a withdrawal is made from your RRIF

For more information on RRIFs, contact your financial advisor and visit AGF.com/RRIF.
Additional information can be found in the CRA Guide T4040, *RRSPs and Other Registered Plans for Retirement*.

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