CIBC PRIVATE WEALTH MANAGEMENT

WOOD GUNDY

RRSP MATURITY OPTIONS QUICK REFERENCE SUMMARY

Registered Retirement Savings Plans (RRSPs) represent the most effective way to save for retirement. The main purpose of an RRSP is to eventually provide you with an independent retirement income stream. RRSP accounts must be closed by December 31st of the year in which you turn 71. At that point, you must begin withdrawing fully taxable retirement income when you are likely to be in a lower income tax bracket. Withdrawals must be made via an approved retirement income option if you wish to maintain the tax-deferred status of your registered assets. If you don't select an RRSP maturity option and your RRSP doesn't provide for an automatic transfer to a retirement income plan, tax rules require that your RRSP be cashed out, with the entire amount becoming fully taxable.

Registered Retirement Income Funds (RRIFS)

One RRSP maturity option is a RRIF. These accounts provide a great deal of flexibility. In addition to the annual prescribed minimum withdrawal amount, you can withdraw as much or as little income as you need to support your retirement. The payments made to you from your RRIF are taxable, but investments in a RRIF continue to grow tax-deferred until they are withdrawn.

RRIFs at death

- If a successor annuitant is appointed, RRIF payments will continue to the spouse upon death
- If a beficiary is designated, assets can be:[1]
  - Rolled over to the spouse's RRSP or RRIF
  - Rolled over to the RRSP or Registered Disability Savings Plan (RDSP) of a physically/mentally infirm dependant of the deceased
  - Used to buy a fixed-term annuity that pays until age 18 for a dependant child of the deceased

Spousal plans

Assets transferred from a Spousal RRSP into a RRIF retain their spousal status for taxation purposes.

Any amounts withdrawn in excess of the minimum annual payment are subject to the three-year attribution rule. That is, if your spouse or common-law partner made contributions to your RRSP in the current or previous two years, they may have to include in their income all or part of the excess withdrawal.

Registered annuities

A registered annuity is another popular RRSP maturity option. An annuity provides a guaranteed income stream for life, or for a fixed term. There are various types of annuities to suit your needs. The three most common types are: single life, joint and last survivor, and term certain. For those seeking to maximize retirement income, a single life annuity provides the highest level of income and is payable for as long as you live.

RRIFs at a glance

- Once assets are converted to a RRIF, no future contributions can be made
- RRIFs provide income, flexibility and control for tax and investment planning
- Annual minimum payouts are based on the RRIF's market value at the beginning of the year and prescribed age factors
- There is no maximum payment amount
- Tax is withheld at source for payments in excess of the minimum amount

Annuities at a glance

- Annuities are simple and once purchased, there is no ongoing management
- Single Life Annuity: The client receives fixed guaranteed payments for life
- Joint Last Survivor: Payments are based on two lives and after the first death, payments continue to the survivor. After the death of the survivor, payments cease.
- Term Certain Annuity: Guarantees the age or a set period of time, in which you will receive payments
- Annuity with a Guarantee: Beneficiaries receive the balance of your payments for the guaranteed period
- Individuals in poor health may be eligible for higher payments with an Impaired Annuity

RRIF minimum calculations

CRA prescribes an age factor, a specific percentage based on your age, to determine your minimum RRIF payment for the year based on the market value of your account at the beginning of the year.

Age at start of calendar year	Age factor	Age at start of calendar year	Age factor
70	5.00%	83	7.71%
71	5.28%	84	8.08%
72	5.40%	85	8.51%
73	5.53%	86	8.99%
74	5.67%	87	9.55%
75	5.82%	88	10.21%
76	5.98%	89	10.99%
77	6.17%	90	11.92%
78	6.36%	91	13.06%
79	6.58%	92	14.49%
80	6.82%	93	16.34%
81	7.08%	94	18.79%
82	7.38%	95 and older	20.00%

If you opened your RRIF before 1992, your age factor will differ. Please contact your CIBC Wood Gundy Investment Advisor to confirm the correct amount.

A combination of RRIFs and annuities may be the best solution

Although your retirement income may include Canada Pension Plan (CPP), Old Age Security (OAS) and other pension payments, you may want to balance your retirement income plan with a combination of RRIFs and annuities.

You may want to consider arranging enough guaranteed income for life to cover your minimum income needs, including the effects of inflation. One effective way to accomplish this is through the purchase of an indexed annuity. If you have sizeable registered and non-registered funds, you should consider the purchase of a prescribed annuity from non-registered sources and a RRIF from registered sources. This combination would provide tax benefits and allow optimum investment flexibility and some degree of tax deferral.

Taxation

Like assets held within an RRSP, monies transferred into a RRIF continue to grow on a tax-deferred basis.

All payments from a RRIF must be declared as income in the year in which the amounts are received. Additionally, tax must be withheld on amounts withdrawn in excess of the legislated minimum annual payment. The withholding tax rates for excess amounts are as follows:

Excess amount withdrawn	Canada (except québec)	Québec
\$0 – \$5,000	10%	20%
\$5,001 – \$15,000	20%	25%
\$15,000 and up	30%	30%

[1] As beneficiary designations are not recognized in Québec, assets should be distributed through the Will.

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