



Turning 69? Things to consider when closing out your RRSP

Registered Retirement Savings Plans (RRSPs) are one of the best deals available from the Canadian government. But – regardless of your work situation – you are required to close your RRSP by the end of the year you turn 69. If you've embarked on a disciplined RRSP savings program, you'll now have some important decisions to make. Keep in mind that you don't need to choose just one option. Discuss your retirement income needs with your advisor, who is trained to build a program to help meet your needs. Here's a quick summary of your options:

CASH

You may choose to take a portion of your RRSP savings in cash. Keep in mind that you must declare this cash as income in the year you receive it, and pay taxes accordingly. Cashing out RRSPs will attract the maximum tax hit, and advisors generally don't recommend it.

ANNUITY

The oldest option – and perhaps the best known – is the annuity. An annuity can provide you with regular income for the rest of your life, or for a specified number of years. An annuity is a great, one-decision investment and is often used as a foundation for a retirement income portfolio.

RRIF

A Registered Retirement Income Fund, or a RRIF, is a flexible income option that allows you to withdraw extra cash as you need it, and set up payments for as





long as you require (to any age). If you have a Spousal RRSP, you can convert it to a Spousal RRIF. A RRIF has a set minimum that must be withdrawn each year. The RRIF has become a popular choice for many Canadians.

LIF

Many Canadians have at least some “locked-in” retirement savings – like locked-in RRSPs, LIRAs (Locked-in Retirement Accounts) and/or Registered Pension Plans. For many years, the only payout option was an annuity. But in many provinces, you can now transfer these funds into a Life Income Fund (LIF), which has many of the same features as a RRIF, including payout flexibility with a set minimum – but (unlike a RRIF) also has a set maximum withdrawal each year. In certain provinces, investors turning age 80 must use any remaining funds within a LIF to purchase a life annuity.

LRIF

In certain provinces, a special investment option is available. Any LIRA or pension money governed in those provinces can be used to purchase a Locked-in Retirement Income Fund (LRIF). A LRIF is similar to a LIF,

and can last for as long as the owner is living (not just until age 80). Please note that there is a maximum payout limit on an LRIF that takes into consideration the previous year’s investment income.

Whatever income option you choose, remember that the income is taxable in the year you receive it.

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