RRIF

REGISTERED RETIREMENT INCOME FUND

The tax-efficient way to pay yourself in retirement.

iA Private Wealth

What you need to know about RRIFs

RRIFs explained

Unlike an RRSP, a RRIF is a registered investment account that's used to provide income. In other words, you don't make contributions to your RRIF; instead, the money you've saved in your RRSP goes 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As with an RRSP, earnings on the investments inside your RRIF are tax-sheltered until they are withdrawn.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.

RRIFs are by far the most popular option for drawing income in retirement.

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 $2,000 or your pension income received in the year. For this purpose, pension income includes RRIF income received beginning 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 at any time, but it must be done no later than December 31 of the year 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 ÷ 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.

For example, if you're 75 with $100,000 in your RRIF, your minimum withdrawal is $100,000 x 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. This is known as a "clawback" of benefits.

FAQ

Questions and answers about RRIFs

1 **Do deposit products held in a RRIF qualify for their own CDIC protection?**

Yes, RRIFs are their own insured category for CDIC purposes. Products like GICs and term deposits held at a CDIC member institution are eligible for coverage up to $100,000. If you also hold accounts such as a LIF, LRIF, RLIF and PRIF at the same member institution as your regular RRIF, the combined coverage for eligible deposits remains capped at $100,000.

2 **What happens to the assets in a RRIF when the annuitant (account holder) dies?**

If you're a qualified beneficiary of the deceased annuitant, you may transfer the RRIF assets directly or indirectly to your own account (e.g., RRIF, RRSP, PRPP). Alternatively, you may purchase an eligible annuity to hold these RRIF assets.

3 **Can I have more than one RRIF account?**

Yes, you may hold multiple RRIF accounts. Some people designate a specific purpose for each RRIF. For example, one RRIF could be used for income generation, while another may hold securities designed for capital growth. Some people also hold RRIFs at different CDIC member institutions so eligible deposits in each account may qualify for insurance coverage, up to allowable limits.

DID YOU KNOW?

81.3 years

The life expectancy for the average Canadian in 2022.

Source: https://www150.statcan.gc.ca/n1/daily-quotidien/231127/dq231127b-eng.htm (data as of November 27, 2023).

About iA Private Wealth

iA Private Wealth offers tailored wealth management solutions through a network of more than 460 independent Investment Advisor teams. With over $50 billion in assets under administration, we are the partner of choice for discerning investors across Canada.

iA Private Wealth is owned by iA Financial Group, one of the largest insurance and wealth management groups in Canada, with operations in the United States as well. Learn more about iA Financial Group.

(23-1996) 12/23