Manulife Investment Management

Tax, Retirement, & Estate Planning Services

Registered retirement income

Click here to next page

Making the choice that's right for you is an important life decision. With all the changes that retirement brings, you need to make the best use of your RRSP savings to enjoy your retirement to its fullest.

Canadians must convert their registered retirement savings plans (RRSPs) and locked-in RRSPs into a form of income by the end of the year in which they turn 71 years of age. This life event presents a number of options, which we discuss in this booklet.

The purpose of this booklet

This booklet reviews the retirement income options available to you and lets you explore in some detail those you find most appealing. We recommend you consult your advisor before finalizing your decisions. By considering your long-term goals and all sources of future income—including pension money and non-registered sources—your RRSP money can be used to make sure you have a comfortable, enjoyable retirement.

We make several references to **a spouse** in this booklet. Any references to a spouse also include a common-law partner as applicable under the relevant legislation.

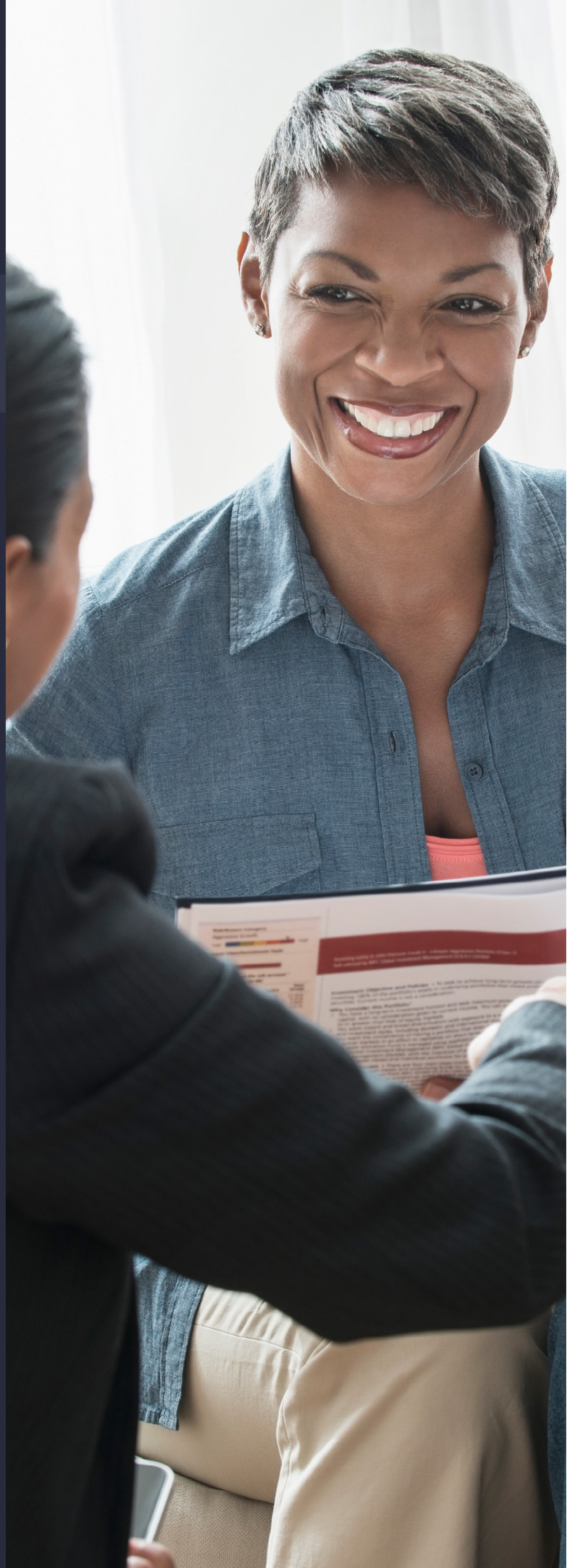
We hope this booklet answers many of your questions about your retirement income options. To discuss the particulars of your personal plan, contact your advisor.

Registered retirement income—the facts

This guide is distributed on the understanding that Manulife isn't engaged in rendering legal, accounting, or other professional advice. If legal or other expert assistance is required, seek the services of a competent professional.

Registered retirement income is taxable

It's important to remember in your retirement planning that all income received from a registered annuity, registered retirement income fund (RRIF), life income fund (LIF), locked-in retirement income fund (LRIF), prescribed retirement income fund (PRIF), or restricted life income (RLIF) is taxable in the year you receive it.



Choosing the option that's *right* for you

Choices, choices, choices

When it comes to converting your RRSP into income, there are more options available to Canadians today than ever before. Depending on your preferences and goals, you can choose just one option or a combination. Some of today's options are flexible, so if your financial needs change, you can select new options that best meet your changing needs.

The cash option

A straightforward option is to convert your RRSP money into cash. This is achieved by withdrawing funds from your RRSP and having it deposited to your bank account. If you choose this option, you should be aware that any amounts received from your RRSP will be considered income in the year you receive it. The withdrawal is reduced by tax immediately (see **withholding tax for Canadian residents** for the applicable rates). You may pay more tax when you file your tax return if your tax rate is greater than the tax rate that applied to your withdrawal. Before choosing this option, we recommend you consult an advisor.

Income from an RRSP isn't eligible for the pension income tax credit unless it's received as a result of the death of your spouse or an annuity as a result of the death of your spouse. If you are 65 or older and don't have other eligible pension income, converting to a RRIF first would allow up to $2,000 of the withdrawal to be eligible for this credit. For more information about the pension income tax credit and the types of eligible pension income, see **The Pension Income Tax Credit using an Insurance Company GIC**.

The annuity option

What's an annuity?

In exchange for a single lump-sum investment, an insurer makes guaranteed regular income payments (that contain both interest and a return of capital) to an investor. An annuity can provide a guaranteed regular income for the rest of your life or for a specified number of years.

The amount of income provided through an annuity is generally determined at the time of purchase and will depend on:

- amount of money invested
- current interest rate
- age
- gender
- number of years for which the company promises to make payments.

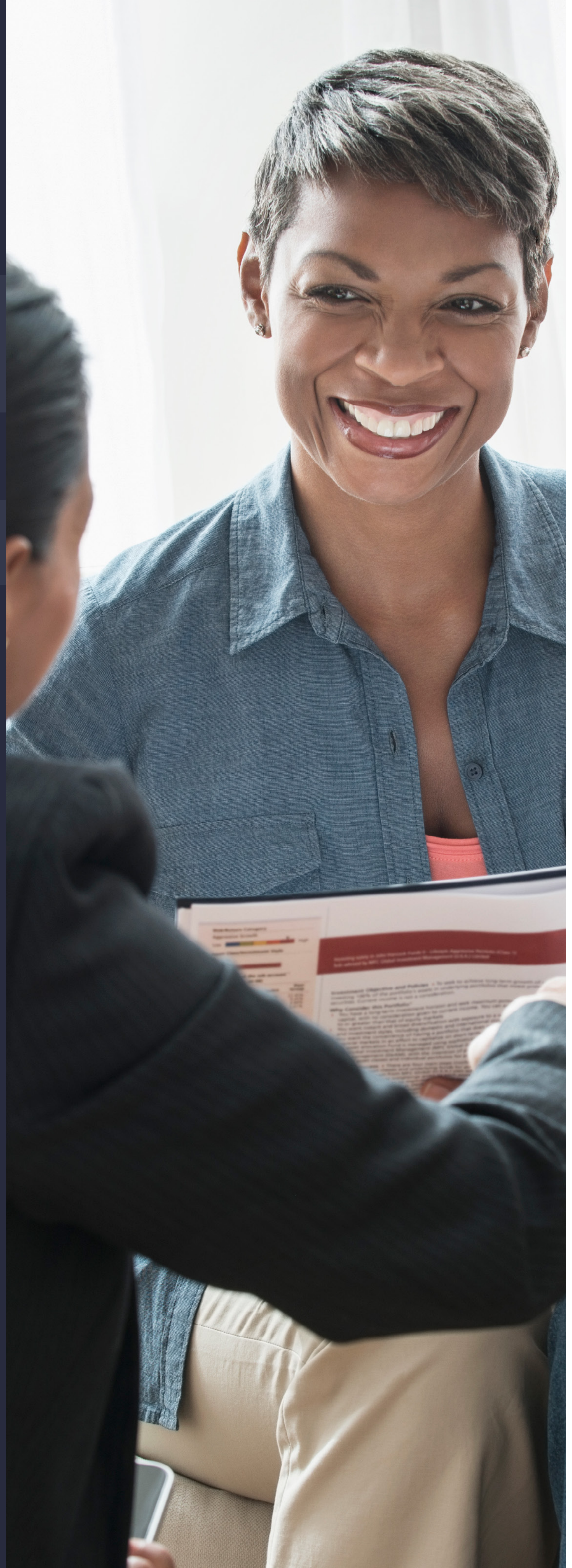
You decide how often you want to receive payments (ranging from monthly to annually) and if you want your payments indexed to help offset inflation.

Types of annuities

Life annuities

Life annuities, only offered by life insurance companies, guarantee income payments to you (the annuitant) for the duration of your life. Some life annuities provide income to a second annuitant. The two types of life annuities are:

- **single life annuity** – Payments are guaranteed for your lifetime. You can select a minimum guaranteed payment period that'll provide a death benefit to your beneficiary if you die before the end of the guarantee period.
- **joint and survivor life annuity** – Income is guaranteed for the lifetimes of you and your spouse. This type of annuity can also have a minimum guaranteed payment period to provide a death benefit in the event that both annuitants (i.e., you and your spouse) die before the end of the guarantee period. If you're purchasing an annuity with locked-in pension funds and you have a spouse, you're required to purchase a joint and survivor life annuity. You may purchase a single life annuity only if your spouse consents in writing.



Fixed-term (term-certain) annuities

A term-certain annuity can be offered by life insurers as well as other financial institutions. This type of annuity pays the annuitant an amount for a specified period of time, as chosen at the time of purchase. When the last payment has been made, the contract expires and no further payments are made. If the annuitant dies before payments are scheduled to end, either a death benefit will be paid to the beneficiary or payments will continue to a spouse designated as beneficiary until the specified period has expired.

Legislation requires that a term-certain annuity funded by RRSP money must continue until the time you or your spouse reach age 90. At that time, the payments will stop.

The biggest difference between the life annuity and the term certain annuity is the length of time income is provided.

Deferred annuities

A deferred annuity is just as its name suggests. You can purchase an annuity now and your income payments can be deferred to a specific date in the future. For registered funds, the annuity must be purchased by the end of the year you turn 71 and income payments must start by the end of the year you turn 72. You're also required to take a full year's worth of payments in this first year. A potential advantage exists in locking in a current interest rate to provide additional income some time in the future.

The RRIF option

What's a RRIF?

A registered retirement income fund is a registered account that allows you to continue the investments held in your RRSP on a tax-sheltered basis, while paying you an income for as long as you choose or as long as there's money available in the plan.

A RRIF is a flexible income option that allows you to:

- manage your investment mix according to your personal preferences
- set up payment amounts and frequency to suit your individual needs
- withdraw extra cash as you need it.

RRIF investment options

Different types of RRIF plans offer different investment options.

A **daily interest account (DIA)** is a temporary account that usually pays daily interest at a low variable rate. You can access your money at any time without penalty or you can invest it for longer terms when you feel interest rates are more acceptable.

With a **guaranteed interest contract (GIC)**, your investment term can usually range from one to thirty years. You pick the length of the term and your money earns a guaranteed interest rate over the term specified. At the end of that term, you can choose to reinvest for a term that suits your needs. Some RRSPs allow you to transfer assets with existing terms intact, giving you flexibility to convert to a RRIF.

Another option is **investment funds**. Your RRIF can hold segregated fund contracts or mutual funds, where the performance is tied to the underlying investments held in the fund. These are typically based on the stock and/or bond markets, and returns will fluctuate with the markets' performance. You could select a self-directed RRIF, where you can hold a combination of assets in your RRIF.

Your advisor can provide you with more details on this type of account.

Income payments

Most RRIFs give you a choice of monthly, quarterly, semi-annual, or annual payments. As well, a variety of income payment choices are available:

- **minimum payment** – the legislated RRIF minimum for that year
- **earned interest payment** – the greater of the interest the plan earns each year and the legislated minimum payment
- **level amount** – a consistent payment amount at the interval you choose, as long as it's not less than the legislated minimum.
- **indexed amount** – you choose the index (e.g., 2%, 3%, or more per year, as long as the payment isn't less than the legislated minimum).

Extra cash withdrawals may be made as you require them, depending on the terms of your plan. Charges may apply to withdrawals.

Whatever option you choose, you should remember that any payment received from your RRIF is fully taxable and must be included in your income in the year you receive it.

RRIF minimum calculation

Each year, starting the year after you open your RRIF, you must begin receiving a minimum amount of income as determined by the Canada Revenue Agency (CRA). This minimum depends on the value of your RRIF at the beginning of the year and your age.

For owners under the age of 71, the minimum formula works like this:

$$\frac{\text{Value of your RRIF at the beginning of the year (January 1)}}{\text{(90 – your age or your spouse's age on January 1*)}}$$

*Before any payments are received from the RRIF, you may elect to use your spouse's age for calculating the minimum amounts.

Example: If you're 65 years old at the beginning of the year and your plan is worth \$100,000, your minimum payment for that year would be \$4,000, calculated as follows:

$$\frac{\$100{,}000}{(90 - 65)}$$

$$= \frac{\$100{,}000}{25}$$

$$= \$4{,}000 \text{ (or 4\% of your balance)}$$

For illustration purposes only.

Using your spouse's age

You can choose to use your spouse's age for calculating the RRIF minimum. You may want to do this if your spouse is younger and you don't want to take as much from the RRIF as would be required for your age. You must choose to use your spouse's age before any payments are received from the RRIF. And it's important to note, once this election is made, it can't be changed—even if your spouse dies.

No payments required in the first year

You don't have to take a payment to fulfill your RRIF minimum until the year after you open a RRIF because your RRIF didn't have a value on January 1 of its first year. If you open a RRIF in 2023, for example, no income payments are required until 2024.

Minimums when transferring a RRIF to a different RRIF

If you transfer your RRIF to a new RRIF in the middle of the year, the surrendering RRIF is required to either hold back enough funds to pay any remaining yearly minimum or to make a lump-sum payment to satisfy the minimum requirement.

RRIF owners 71 or older—minimum formula

For RRIF owners 71 or older, legislation passed in 2015, so that after age 70, the yearly minimum is calculated as the percentage of the value on January 1, as shown in this table:

RRIF minimum percentage

Age* on January 1	Min. % factor
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

Age* on January 1	Min. % factor
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 & over	20.00

* Your age or your spouse's age

Withholding tax for Canadian residents

Any amount you receive from a RRIF is taxable and must be included in your income the year you receive it. In addition, when payments exceed the RRIF minimum, by law, tax is withheld on the excess amount. This tax is taken directly from your RRIF payment and sent to CRA on your behalf.

Withholding taxes on withdrawals over and above the RRIF minimum are as follows:

Amount withdrawn in excess of minimum ($)	All provinces except Quebec (%)	Quebec (%)
Up to 5,000	10	19
5,001 to 15,000	20	24
Over 15,000	30	29

Source: Canada Revenue Agency, Revenu Québec

In the first calendar year the RRIF is issued, the RRIF minimum is zero. Since no minimum payment is required in the first year, CRA considers any payment to be an excess amount. This means that tax is deducted on all amounts paid to you in the first calendar year. When you complete your tax return each year, deduct the amount of tax withheld from your RRIF from the total amount you owe.

Withholding tax for foreign residents

When payouts are made from a RRIF in Canada to a foreign resident, there's a legal requirement to deduct tax from both the RRIF minimum amount and any amount paid out in excess of the RRIF minimum.

Death benefit

If you have a spouse at the time of your death, your RRIF plan may allow your spouse to become the annuitant (owner) under the RRIF. Payments would then continue to your spouse. Otherwise, the RRIF must be collapsed and the value of the RRIF must be paid to the named beneficiary or to your estate. In this case, the full value of the plan would be considered income and would be taxable to your estate in the year of death. There are exceptions if the beneficiary is:

- your spouse
- a financially dependent child or grandchild who's less than 18 years of age
- a financially dependent child or grandchild who's dependent because of physical or mental infirmity.

Transfers from RRIF to RRIF

If your contract allows, you can transfer all or part of your RRIF to another type of RRIF at any time. You may also choose to transfer money to any type of annuity, making sure of either a guaranteed income for a specified term or a guaranteed income for life. Charges may apply on some transfers. If you transfer your RRIF to another carrier, other conditions may apply. For more information, see the "**Minimums when transferring a RRIF to a different RRIF**" section above.

Spousal RRIFs

A spousal RRIF is set up from a spousal RRSP. A spousal RRSP is a plan where you make the contributions to the RRSP but your spouse is the annuitant (owner).

The main benefit is tax savings through income splitting, assuming your spouse's income is lower. Any payments paid to your spouse will be taxed at a lower marginal rate.

Any amounts paid to your spouse in excess of the RRIF minimum for the year will be included in your income that year, rather than your spouse's (up to the amount of your contributions to a spousal RRSP in the current or two preceding years).

Note: This attribution rule doesn't apply if you and your spouse are living separately (due to marriage breakdown), you or your spouse is a non-resident when the amounts are withdrawn, or if the spousal RRSP is used to purchase an annuity.

The LIF option

What's a LIF?

A LIF is a retirement income option for a locked-in RRSP, a locked-in retirement account (LIRA) and pension money when you terminate employment—available in most provinces. In Saskatchewan, you have to purchase a life annuity before the end of the year you turn 80.

It allows the transfer of funds from these plans to a retirement product that's essentially as flexible as a RRIF. A LIF can offer investment and payout flexibility with a set minimum and maximum each year.

In some provinces (Quebec, Manitoba, and Nova Scotia), the LIF can continue until the individual dies. In other jurisdictions (federal, British Columbia, Alberta, Ontario, New Brunswick, Newfoundland, and Labrador), 100% of the LIF balance can be cashed out at age 90.

Prince Edward Island doesn't currently have pension legislation, so only the RRIF option is available.

Differences from a RRIF

A LIF works much the same as a RRIF, except for these differences:

- A LIF can only be purchased with locked-in pension funds.
- A LIF has a legislated maximum and minimum income payment. A RRIF has only a minimum.
- In Saskatchewan, a LIF must be collapsed by the end of the year you turn 80 and the proceeds must be used to purchase a life annuity. A RRIF can continue indefinitely.

LIF—Ontario

Ontario introduced a new life income fund in 2008. The new LIF can be acquired with funds from an old LIF, a LRIF, a LIRA, or the commuted value of a registered pension plan (RPP), subject to the terms of the pension plan. With the introduction of the new LIF, an old LIF or LRIF is no longer available for purchase; however, existing contracts can continue, or the funds can be transferred to a new LIF or used to buy a life annuity.

Within 60 days of transferring locked-in funds from a LIRA or an RPP into a new LIF, there's a one-time opportunity allowing up to 50% of the value of the transferred funds to be taken in cash or transferred to a regular RRSP or RRIF.

LIF—Alberta

Prior to converting to a LIF, 50% of the value of the locked-in funds can be taken in cash or transferred to a regular RRSP or RRIF.

LIF—New Brunswick

In New Brunswick, a LIF owner may unlock a portion of the assets in a LIF and transfer them to a RRIF. This unlocking amount is in addition to the regular maximum annual withdrawal. It's limited to one transfer during the lifetime of the owner.

The maximum amount permitted to be unlocked is the lesser of:

- three times the maximum annual withdrawal with respect to the current year
- 25% of the balance in the LIF on the first day of the fiscal year (i.e., January 1 or contract date of the LIF, if established mid-year).

Income payment options

LIF payments can occur monthly, quarterly, semiannually, or annually. A variety of payment options are available:

- LIF minimum payment – the legislated RRIF minimum for that year
- earned interest payment – the greater of the interest the plan earns each year or the legislated minimum payment —can't exceed the legislated maximum
- level amount – a consistent payment amount at the interval you choose, as long as it falls between the legislated minimum
- indexed amount – you choose the index (e.g., 2%, 3%, or more per year), as long as the payment meets the legislated minimum and doesn't exceed the legislated maximum
- LIF maximum payment – see the next section, "LIF minimums and maximums."

LIF minimums and maximums

The total of all payments received each year must fall between the LIF minimum and maximum. The LIF minimum works like the RRIF minimum (described in "**RRIF minimum calculation**" section). The LIF maximum is calculated each year, beginning with the initial year of the plan. Total payments from the LIF can't exceed this amount.

In certain jurisdictions, the maximum in the initial year of the LIF is pro-rated based on when the plan is opened (Ontario, Newfoundland and Labrador, Nova Scotia, and federally regulated plans). For example, if the plan was opened in July, the owner would be entitled to receive one-half of the LIF maximum in that year. In Alberta, Quebec, New Brunswick, Manitoba, and British Columbia, a full year's maximum can be withdrawn regardless of when the LIF was opened.

Maximums vary by jurisdiction and are based on a formula established by the federal or provincial pension legislation that governs the pension plan. The formula produces a LIF maximum income percentage chart each year, based on your age on January 1.

To calculate your maximum payment in all provinces except British Columbia, Ontario, Newfoundland and Labrador, Manitoba, and Alberta, take the LIF maximum income percentage based on your age on January 1 and multiply it by the value of your plan on this date. This is done yearly based on the previous year's November Canadian Socio-Economic Information Management System (CANSIM) rate. The CANSIM rate is set monthly by the Government of Canada, based on that month's average rate for long-term Government of Canada bonds. In British Columbia, Ontario, Newfoundland and Labrador, Manitoba,[2] and Alberta, the maximum payment is the better of the above LIF calculation or the investment returns for the preceding year.

[2] In Manitoba, the LIF maximum is the greater of (1) the LIF calculation or (2) the previous year's investment returns plus 6% of the value of all transfers in from a LIRA or pension plan during the current year.

Witholding tax

For information about withholding tax for Canadian and foreign residents, see the sections on **withholding tax**. The same provisions apply to a LIF.

Transfers

A LIF can only be transferred to:

- another LIF
- an LRIF (Newfoundland and Labrador)
- a PRIF (Manitoba and Saskatchewan)
- a RLIF (federal)
- a LIRA or locked-in RRSP if before December 31 of the year you turn 71 (restrictions apply in Ontario and Alberta)
- a pension plan
- a joint and survivor annuity, if you have a spouse
- a single life annuity, if you have no spouse or receive your spouse's consent.

Maximums when transferring a LIF to a different carrier

If you transfer your LIF to a different carrier in the middle of the year, make sure you withdraw all the funds you'll require for the year (up to the maximum). By law, the new carrier can't make any payments to you until the next calendar year.

Death benefit

If you have a spouse at the time of your death, the death benefit from your LIF must be paid to your spouse (unless, where permitted, your spouse has waived their entitlement). Your LIF may also allow your spouse to become the annuitant and continue to receive payments. Pension legislation differs in each jurisdiction. In some jurisdictions, the death benefit payment to your spouse may have to remain locked in.

If you don't have a spouse at the time of your death, the LIF will be paid to the named beneficiary or to your estate.

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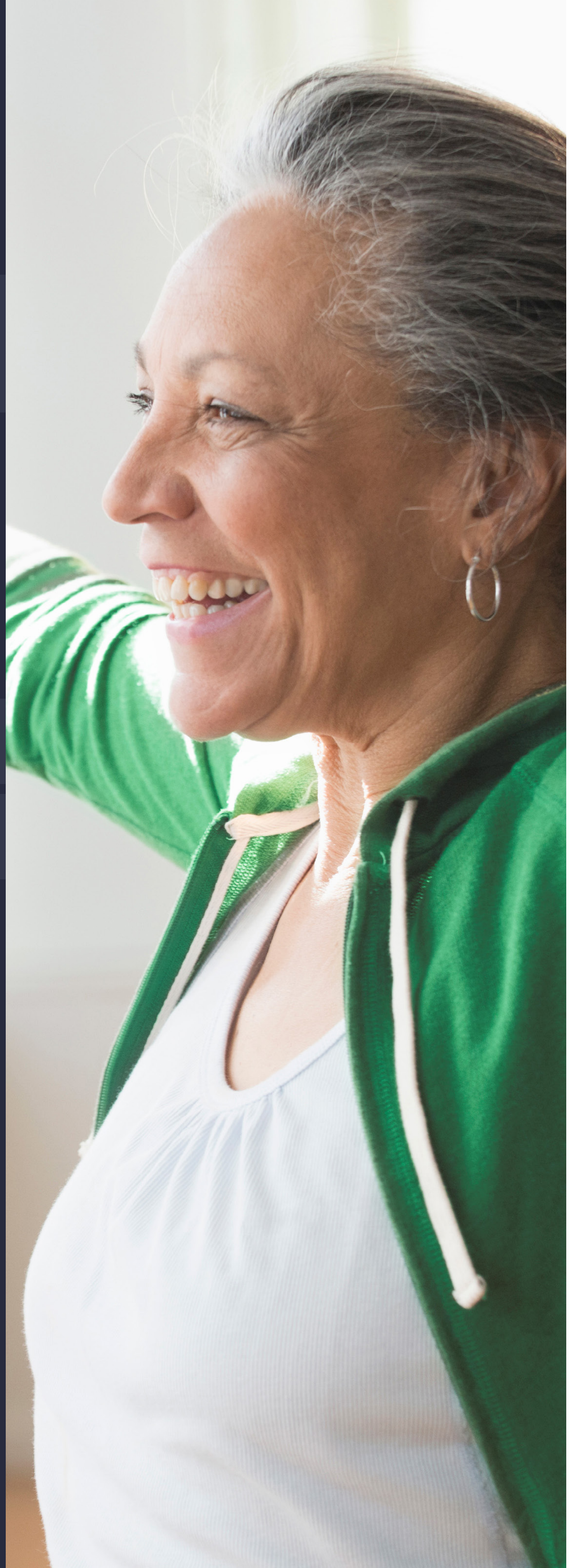

The LRIF option

LRIF—Newfoundland and Labrador

An LRIF is similar to a LIF in that it can only be purchased with funds in a locked-in RRSP, LIRA, or pension plan. The main difference between the two is that LRIF maximum payments are calculated differently than LIF maximums. The maximum is essentially limited to the investment income earned in the prior year

A word of caution: because the LRIF maximum is based on investment earnings, there'll only be a gap between the minimum and maximum when the investment returns are greater than the RRIF minimum. Although this can be achieved in the earlier years (for example, the RRIF minimum at age 70 is 5%), it becomes more difficult as the age of the LRIF holder increases. In years where LRIF earnings are lower than the RRIF minimum, the withdrawal is restricted to the minimum amount.

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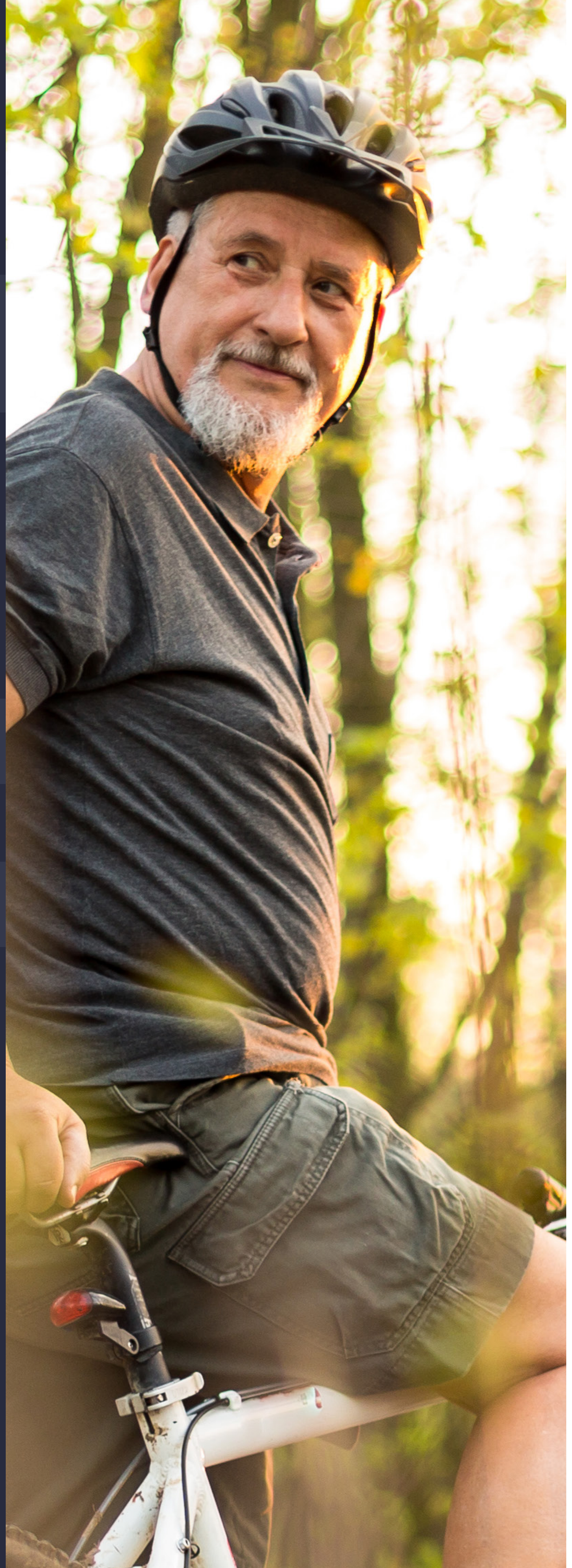

The PRIF option

PRIF—Saskatchewan

If you have pension money governed under the laws of Saskatchewan, your only options are a PRIF or the purchase of a life annuity. Saskatchewan pension legislation no longer provides for a LIF or LRIF if the assets are coming from a pension plan or LIRA, although a new LIF can be opened to accept funds from an existing LIF or LRIF.

A PRIF can also accept money coming from a LIF or LRIF and has no restrictions with respect to the amount of money that can be withdrawn.

A PRIF is similar to a LIF or LRIF in that it can only be purchased with locked-in pension money or a LIRA.

- With the consent of your spouse, a PRIF can be purchased at age 55, or earlier if the rules of the pension plan allow the retirement income at an earlier age.
- A PRIF doesn't have any restrictions as to the amount of money that can be withdrawn. In this way, it's the same as a RRIF.

PRIF—Manitoba

In Manitoba, LIF holders age 55 or older have the option to make a one-time transfer to a PRIF equal to no more than 50% of the total value of their LIFs. The 50% transferred to the PRIF has no restrictions with respect to the amount of money that can be withdrawn.

Applicants should decide if they want to transfer assets from one or more of their LIRAs or LIFs and make appropriate arrangements with all affected financial institutions at the same time.

- There's no limit on maximum annual payments and the owner may withdraw part or all of their funds at any time.
- Owners must be at least 55 years old to apply for a transfer to a PRIF and must have the consent of their spouse.

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The RLIF option

Restricted life income fund—federal

If you worked for a federally regulated organization (e.g., involved in transportation; communication; atomic energy; flour, feed, or seed mills; or banking), your pension, locked-in RRSP, or LIF will be governed by federal pension legislation.

Starting in 2008, holders of a federally governed locked-in RRSP or LIF who are age 55 or older can transfer their locked-in funds to an RLIF. An RLIF is similar to a regular LIF, but within 60 days of opening the RLIF, there's a one-time opportunity to transfer 50% of the total value to a regular RRSP or RRIF.

For the 50% unlocking, owners must be at least 55 years old and must have the consent of their spouse.

The funds remaining in the RLIF will be subject to the same minimum and maximum annual withdrawal limits as a LIF.

Summary of your income options

Pros	Cons
Cash	
• Turn your retirement funds into cash	• Pay income tax on entire amount when withdrawn
Life annuity	
• Guaranteed regular income for life • Provides a death benefit during the guaranteed term (if chosen)	• No inflation protection unless fixed percentage indexing is selected • Not as flexible as a RRIF
Joint and survivor annuity	
• Guarantees regular income for the lives of you and your spouse • Provides a death benefit during the guaranteed term (if chosen)	• No inflation protection unless fixed percentage indexing is selected • Not as flexible as a RRIF
Term certain annuity to age 90 (you or your spouse)	
• Guarantees regular income up to age 90 • Provides a death benefit up to age 90	• No income after you reach age 90 • No inflation protection unless indexed • Not as flexible as a RRIF
RRIF, LIF, LRIF, PRIF, or RLIF	
• Offers investment options similar to an RRSP but also pays income • With a RRIF, you can receive income for as long as you choose, as long as money is available in the plan • Income flexibility with extra withdrawals if needed (subject to LIF, LRIF, or RLIF legislated maximums) • Provides a death benefit for as long as you receive income, based on remaining value of the plan • Range of investment choices • LRIF (Newfoundland and Labrador), LIF (British Columbia, Alberta, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and federal), PRIF (Saskatchewan and Manitoba), and RLIF (federal) never have to be annuitized	• May require some degree of investment management • LIF, LRIF, and RLIF have a minimum and maximum income each year • With a LIF in Saskatchewan, you must purchase a life annuity by the end of the year you turn 80 • Payments aren't guaranteed for life

Manulife Investment Management

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship and the full resources of our parent company to serve individuals, institutions, and retirement plan members worldwide. Headquartered in Toronto, our leading capabilities in public and private markets are strengthened by an investment footprint that spans 17 countries and territories. We complement these capabilities by providing access to a network of unaffiliated asset managers from around the world.

We're committed to investing responsibly across our businesses. We develop innovative global frameworks for sustainable investing, collaboratively engage with companies in our securities portfolios, and maintain a high standard of stewardship where we own and operate assets—and we believe in supporting financial well-being through our workplace retirement plans. Today, plan sponsors around the world rely on our retirement plan administration and investment expertise to help their employees plan for, save for, and live a better retirement.

Manulife Investment Management offers a variety of products and services to help meet your individual retirement needs. Depending on the province you live in, our investment products are available for RRIF, LIF, LRIF, PRIF, and RLIF contracts. You can select any or a combination of these products to meet your personal investment needs.

Mutual funds

Mutual funds can help meet your specific financial needs throughout your life. Whether you're just starting out, accumulating wealth, or nearing/in retirement, Manulife Investment Management can provide you with solutions to help build a portfolio that meets your needs.

Segregated fund contracts

Segregated funds combine the growth potential offered by a broad range of investment funds, with the unique wealth protection features of an insurance contract. Through segregated fund contracts, investors can help minimize their exposure to risk through income, death and maturity guarantees, potential creditor protection features, and estate-planning benefits—all from a single product or insurance contract.

GIAs

Guaranteed interest accounts (GIAs) offer competitive rates plus investment options. Investors benefit from a guarantee on their principal investment, and from several different investment options that can diversify and add flexibility to their portfolios. GIAs can be an ideal solution for conservative investors who are looking to help grow their wealth but concerned about minimizing risk.

ETFs

Since exchange-traded funds (ETFs) were first offered over 25 years ago, they've come a long way. They've evolved to offer a range of benefits and are managed using a variety of different approaches. ETFs share characteristics of both a mutual fund and a stock. It's an investment vehicle that trades on an exchange, just like a stock, and can hold a diversified mix of stocks, bonds, commodities, currencies, options, or a blend of assets–like a mutual fund. ETFs remain one of the most popular and innovative investment solutions available to investors.

For more information, contact your advisor or visit **www.manulifeim.ca/treps**

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