



FIVE QUESTIONS TO ASK WHEN TRANSFERRING YOUR RRSP TO A RRIF

1. SHOULD I MAKE ONE LAST RRSP CONTRIBUTION?

If you are 71 years of age and have RRSP contribution room, consider making one final RRSP contribution – particularly if you expect to be in a lower tax bracket in future years. RRSP contributions are generally not permitted for RRSP account holders who are older than 71, so this may be your last opportunity for a large tax deduction in one year.

If you're younger than 71, you can continue to contribute to your RRSP until the end of the year you reach age 71. The earlier contributions are made, the longer RRSP assets can grow tax-deferred.

If you are older than 71, have unused RRSP contribution room and have a spouse or common-law partner who is 71 years of age or younger, consider contributing to a spousal RRSP. Contributions to a spousal RRSP will create a tax deduction on your tax return. As long as withdrawals occur three years after your contribution is made, you can reduce your household tax bill through this income-splitting vehicle.

2. HAVE I NAMED A BENEFICIARY ON MY RRIF APPLICATION?

Beneficiaries named on RRSP applications do not automatically carry over to RRIFs. If you'd like to transfer your RRIF assets to beneficiaries directly without flowing through your estate, be sure to name your beneficiaries on your new RRIF application*. Failure to do so may result in complex estate settlement matters or unintended distributions. Estate administration fees may also apply.

Where a spouse or common-law partner (CLP) will inherit your RRIF, you have the option to name your spouse or CLP "successor annuitant"

or "beneficiary". The successor annuitant designation allows your spouse or CLP to receive your RRIF based on the plan's original terms and conditions. For example, if your RRIF minimum payments were calculated based on your age, the payments will continue based on your age when received by your spouse or CLP. Alternatively, the beneficiary designation generally requires your spouse or CLP to set up a new RRIF based on new terms and conditions. If your spouse or CLP is older, this can lead to higher minimum payments and less tax-sheltering. See question 3 for more information.

*In Quebec, when an RRSP or RRIF annuitant dies, their RRSP/RRIF flows through their estate and is subject to the terms of their will regardless of designations made on the RRSP/RRIF application.

3. WHOSE AGE SHOULD I USE TO CALCULATE RRIF MINIMUMS?

When setting up a RRIF, you have the option to calculate payments based on your own age or the age of your spouse or common-law partner. If your goal is to maximize the tax-deferral opportunity of a RRIF, it is generally best to calculate your annual RRIF payments based on the younger person's age. This results in smaller mandatory withdrawals and allows for a longer period of tax-deferral.

If you don't require the cash received from mandatory RRIF payments, consider reinvesting the proceeds in a Tax-Free Savings Account (TFSA) or non-registered investment account. Subject to available TFSA contribution room, TFSA contributions allow for tax-free growth. Non-registered investment accounts have the potential for dividend income and capital gains, both of which are tax-efficient.

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4. HAVE I CONSIDERED REQUESTING INCREASED WITHHOLDING TAX ON RRIF PAYMENTS?

Withdrawals from RRIFs are generally subject to a withholding tax of between 0 and 31% depending on the amount redeemed. If you regularly receive other forms of taxable income that are not subject to withholding tax at source (for example, capital gains from the sale of investments, interest or dividend payments), you may wish to increase the withholding tax taken from your RRIF payments. By doing so, you can offset taxes payable on your other income sources and reduce the balance owing when you file your income tax return at year end. Contact your RRIF carrier to determine how to request increased withholdings, if desired.

5. AM I ENTITLED TO THE PENSION CREDIT FOR RRIF INCOME?

If you are 65 or older and receiving (or about to receive) RRIF income, consider claiming the pension credit on your federal tax return for up to \$2,000 of RRIF income. A similar credit is also available provincially, although there are some differences across the provinces. The federal

credit is worth \$300, and can be used to offset tax payable on any form of income. The credit cannot be carried forward to a future year, so be sure to claim the credit when available. If you are under the age of 65, the pension credit is available for your RRIF income only if received as a consequence of the death of a spouse or common-law partner (CLP).

If you are eligible to claim the pension credit for RRIF income, consider splitting the income with your spouse or CLP. Since 2007, income eligible for the pension credit is also eligible for pension income-splitting. If your spouse or CLP is in a lower tax bracket, an effective income-split will be achieved. Also, by transferring the RRIF income to your spouse or CLP (which is achieved simply by noting the split on your respective tax returns), you may be able to double the pension credit for your family, provided your spouse or CLP is 65 or older.

Note: When splitting pension income, be mindful of Old Age Security (OAS) clawback thresholds to ensure that income-sensitive OAS benefits are not reduced. For 2016, OAS benefits are reduced once an individual's net income exceeds \$73,756.

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