

Unlocking Pension Plan Assets At Retirement

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At retirement, when a Canadian wishes to convert their pension assets into retirement income, they have a choice between purchasing an annuity or transferring the assets into a Life Income Fund (LIF).

Overall, the trend has been towards converting some or all of the assets into a LIF. This is due to a variety of reasons, such as low annuity rates, the ability to continue to invest the assets, increased flexibility of payouts and the possibility of leaving the residual value to a beneficiary or estate.

A LIF can be purchased from any number of financial institutions and has specified minimum and maximum withdrawal rates. Except in very narrowly defined circumstances (i.e. small account balance, permanent departure from Canada, shortened life expectancy), an individual can not withdraw more than the legislated maximum as these assets are “locked-in”. This differs from the rules for assets accumulated in a Registered Retirement Savings Plan (RRSP) which can be transferred into a Registered Retirement Income Fund (RRIF) and are never locked in.

Given that each province has its own pension regulator, in addition to a federal regulator (oversees specific industry sectors only), the rules regarding how a LIF must operate differ from province-to-province.

The last couple of years have seen many changes to how pension regulators treat locked-in savings, but the trend has been towards a less paternalistic approach, giving individuals more freedom regarding how they access pension assets. In some jurisdictions, regulators have begun letting individuals ‘unlock’ some (or all) of their locked-in savings. However, not all regulators have taken the same approach and this, not surprisingly, has led to confusion.

For your reference, we have included in this *Pension Update* a table that summarizes the percentage of LIF unlocking allowed in the various Canadian pension regulatory regimes.

Jurisdiction	LIF Unlocking Available (%)*
Federal (proposed)	50
British Columbia	0
Alberta	50
Saskatchewan	100
Manitoba	50
Ontario	25
Quebec	0
New Brunswick	25
Nova Scotia	0
Newfound Land	0
P.E.I.	N/A

* Current Maximum unlocking available. Depending on the regulatory jurisdiction of the LIF, certain requirements must be met to unlock the assets and the rules are not uniform across the jurisdictions. For more information please contact the applicable pension regulator.

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