

# PENSION UPDATE

April 2015

## Proposed Budget Changes for 2015

**O**n Tuesday April 21, 2015, the Federal Government proposed changes to the Tax-Free Savings Account (TFSA) as well as the rules relating to minimum withdrawals for registered retirement income funds (RRIF).

In keeping with campaign promises made during the 2011 Federal Election, the Conservative Party has proposed to increase the annual contribution rate of the TFSA from its current \$5500 to \$10,000. The previous limit was indexed to inflation, however, the new proposed limit will no longer be indexed to inflation and will remain at \$10,000. The new change is effective as of January 1, 2015 allowing those who may have contributed the previous maximum for the year 2015 to have an additional \$4500 of allowable contributions. Since its inception, Canadians have been able to contribute \$41,000 to the TFSA program.

The Federal Government also proposed a reduction in the minimum withdrawal rules for RRIFs allowing retirees to preserve their retirement capital. The timing of this proposed change coincides somewhat with the Canadian Institute of Actuaries' changes to mortality tables reflecting the increasing life expectancies of Canadians.

Age	Current Minimum Withdrawal Requirement from RRIF	Proposed Minimum Withdrawal Requirement from RRIF
70 and under	*Based on formula	*Based on formula
71-93	7.38%	5.28%
94	20.0%	18.79%
95 and above	20.0%	20.0%

\*Formula for minimum withdrawal =  $1/(90 - \text{age})$

Furthermore, the budget clarified rules surrounding charitable organizations' investments in limited partnership vehicles. Registered charities or endowments will be allowed to acquire and hold passive interest in limited partnerships without fear of their involvement being considered as business activity by the Canada Revenue Agency under the excess corporate holding rules and potentially having their charitable/tax-free status revoked. A passive interest is considered representing less than 20% of the capital committed to a private market fund structured as a limited partnership. These measures will apply to investments made or acquired after April 20, 2015.

# PROTEUS

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