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**Steadyhand**

# Converting your RRSP to RRIF at Steadyhand

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A guide to converting registered accounts



# Do you own an RRSP account and turn 71 this year?

Under Canada Revenue Agency's (CRA) rules your tax-sheltered Registered Retirement Savings Plan (RRSP) must be collapsed in the year that you turn 71.

## You have three choices for collapsing your RRSP:

- Convert it to a Registered Retirement Income Fund (RRIF).
- Purchase an annuity (this option is not available at Steadyhand).
- Cash it out completely (withholding taxes will apply).

The most popular option is converting your RRSP into a RRIF. It is a simple process but requires some thought and the completion of a form or two. Details to consider include: your future income needs, your options for receiving the income, and your investment asset allocation. You may convert all or part of your RRSP into any of the options listed above at any age; however, you must convert all your RRSP(s) in the year that you turn 71.

## What is a RRIF and how does it work?

A RRIF is a tax-sheltered account from which you are required to withdraw a minimum amount of income each year. (Note: there is no minimum payment required in the year that you establish a RRIF.) You can withdraw more than the minimum requirement, but will be subject to withholding tax on the amount above the minimum payable. You can no longer make tax-deductible contributions into your RRIF like you did in your RRSP.

## When does your stream of income payments start?

Your first income payment will be in the calendar year after you open your RRIF.

## What are your payment schedule options?

You will receive the payment by automatic deposit to your bank account, or a cheque mailed to your home. The payment frequency can be on an annual, quarterly or monthly schedule.

### How are minimum payments calculated?

The annual minimum payment is calculated using two variables:

1. The market value of your RRIF account on December 31st of the previous year.
2. A percentage set by CRA based on either your age or your spouse's age (see table on page three).

### Minimum payment formula

(Market value on December 31st) x (% based on age) = minimum annual payment.

### Minimum payment example

If you turned 77 last year and your RRIF account had a market value of \$100,000 on December 31st, your minimum payment this year would be \$6,170 (\$100,000 x 6.17%). See table at right.

Age	Minimum (%)
74	5.67
75	5.82
76	5.98
77	6.17
78	6.36

### The paperwork

If you already have a Steadyhand RRSP, then simply complete a Registered Retirement Income Fund application form and provide us with updated banking details, if applicable, and you're done.

If you are new to Steadyhand, then complete a Registered Retirement Income Fund application form along with a Transfer Form for Registered Investments.

### At tax time

The amount you withdraw from your RRIF is considered taxable income for the tax year in which it is received. A T4RIF tax slip will be sent to you in February of the following year, in time for your annual tax return filing.

### A word on locked-in accounts

If you hold a Locked-in Retirement Savings Plan (LRSP), or a Locked-In Retirement Account (LIRA), it must be converted to a Life Income Fund (LIF) in the year you turn 71. Depending on the provincial jurisdiction, you may convert your LIRA or LRSP as early as age 50 or 55 (consult your LIRA/LRSP provider for more details). LIFs are subject to minimum annual withdrawals (similar to RRIFs) and there are maximum annual withdrawal limits as well.

### Your investment options

You can hold the same investments in your RRIF as you held in your RRSP. You should review your fund holdings and asset mix, however, and may want to adjust your investments to reflect the minimum payments now required.

### Other things to consider

If your spouse is younger than you, you may choose to base the minimum payment calculation on their age if you wish to minimize the amount you must take as income each year, thereby allowing your tax sheltered investments to grow for longer. Alternately, if your spouse is older than you, you may choose to base the minimum payment calculation on their age if you wish to withdraw more than the minimum requirement for your age.

If you don't need all the income, consider making a contribution to your Tax Free Savings Account (TFSA) for future tax-free growth.

### General RRIF minimum percentage based on age

The table shown below is for RRIF accounts opened after 1993.

Age	Minimum (%)	Age	Minimum (%)	Age	Minimum (%)
60	3.33	75	5.82	90	11.92
61	3.45	76	5.98	91	13.06
62	3.57	77	6.17	92	14.49
63	3.70	78	6.36	93	16.34
64	3.85	79	6.58	94	18.79
65	4.00	80	6.82	95+	20.00
66	4.17	81	7.08		
67	4.35	82	7.38		
68	4.55	83	7.71		
69	4.76	84	8.08		
70	5.00	85	8.51		
71	5.28	86	8.99		
72	5.40	87	9.55		
73	5.53	88	10.21		
74	5.67	89	10.99		

### Questions?

Contact us at 1.888.888.3147 or [info@steadyhand.com](mailto:info@steadyhand.com)

