

DID YOU KNOW?

THE RRIF: FOUR THINGS YOU MAY NOT KNOW

If you have yet to reach the retirement age, consider the opportunity to think ahead to the time when you will eventually access retirement funds. Here are four things you may not know about the Registered Retirement Income Fund (RRIF).

1. You can convert the RRSP to the RRIF earlier than age 71.

The RRSP matures by the end of the calendar year in which the holder turns age 71 and is often converted to the RRIF at that time. However, you are able to open the RRIF earlier than this age. Minimum withdrawal payments will still be required, but not until the calendar year following the year that the RRIF account is opened.

2. You can hold the RRSP and RRIF at the same time. While the RRIF is usually used by an investor to transfer funds once the RRSP matures, there may be instances in which you may want both. If you need to generate pension income to take advantage of the federal pension income tax credit, you could open a small RRIF at the age of 65. At the same time, you can still continue operating the RRSP to capture ongoing tax deductions from your contributions. Consider also that you can notionally split up to 50 percent of eligible pension income (which includes RRIF income from age 65) with a spouse (common-law partner).

3. You are able to convert the RRIF back to the RRSP.

If you've converted funds to the RRIF earlier than age 71 and realize that it's no longer to your benefit, you are able to convert it back. You may decide to do an early conversion if you retire early, take a sabbatical or have an extended leave from work, since the loss of income means you may be in a lower tax bracket or you may need funds. However, if you return to work, it may be beneficial to resume the RRSP.

4. You can base RRIF withdrawals on a spouse's age. If you have a younger spouse, it may be useful to use their age to result in a lower minimum withdrawal rate for your RRIF. Be aware that this must be done when first setting up the RRIF and before you have received any payments, so plan ahead.

If you have any RRIF questions please get in touch. If you're turning 71 in 2022, let's discuss options for the maturing RRSP before year end.

