

2010 Maximum Annual Payments for LIFs/LRIFs

If you are invested in a Life Income Fund (LIF) or a Locked-in Income Fund (LRIF), you may have noticed that the amount of income you are eligible to receive in 2010 has substantially increased over previous years.

Why has the amount of income I am eligible to receive increased so dramatically?

The amount of income you are eligible to receive is determined by factors set by the pension legislation that administers your account. Six jurisdictions calculate maximums as the greater of two or more factors. One of the factors considered is the previous year's investment earnings.

Thanks to strong returns in the equity markets, maximum amounts for 2010 will be higher than 2009's figures. The following plan types are affected:

- Ontario Schedule 1.1 (New) Life Income Fund (LIF)
- Ontario Locked-in Retirement Income Fund (LRIF)
- Alberta LIF
- British Columbia LIF
- Manitoba LRIF
- Newfoundland and Labrador LRIF
- Saskatchewan LRIF

Will my payment amount be subject to taxes?

LIF/LRIF plans have legislated minimum payment, as well as a maximum amount. Any amounts taken above the legislated minimum are subject to withholding taxes at the time of the withdrawal. In addition, any amounts received are taxable as income.

Am I required to receive the maximum payment?

No. In fact, you may not want to receive the maximum allowable amount, as the large increase in your payments will increase your taxable income. In addition, it will also deplete the assets in your account at a faster rate, which may result in less income being available to you in future years.

I'm under the age of 71. Can I transfer my income payments to an RRSP?

Yes. You have the ability to transfer any amount over your legislated minimum to an RRSP. This allows you more flexible access to your assets, as an RRSP can be cashed out in full at any time.

To discuss which option best suits your financial situation, speak with your Financial Advisor.