

## Rules for converting RRSP to RRIF

- You have until **Dec 31 of the year when you turn 71** to convert the account to a RRIF.
- Some institutions will do it **automatically** so even if you don't do anything – you will be the proud owner of a RRIF account on Jan 1 of the year you turn 72.
- You can convert your RRSP to a RRIF **anytime you want** before the deadline. One reason someone might convert early (i.e. at age 55) is so they can set up regular withdrawals from the account which most institutions won't allow for RRSP accounts.
- **Mandatory or minimum payments** – these start in the year after you set up your RRIF account. There is a set minimum percentage amount determined by the government that you have to withdraw each year. The percentage withdrawal amount increases as you get older.
- There is **no maximum withdrawal amount** except for the amount of money you have in the account.
- All withdrawals from a RRIF count as **taxable income** (including the mandatory withdrawal).
- A RRIF account can hold the **same investments** as an RRSP account. Most financial institutions that offer RRSP accounts also offer RRIF accounts so you shouldn't have to switch institutions.
- Money in a RRIF account is still **“registered”** so you don't pay any tax on any income and there are no capital gains/losses. Same as your RRSP.
- You can't make any **contributions** to a RRIF account.
- You don't have to **spend** all of your RRIF withdrawals. You can save the money.
- You don't need to **sell the actual investments** in your RRIF to complete a withdrawal. Most institutions will allow you to transfer your investments “in kind” to a non-registered account or TFSA account.
- You can have more than one RRIF account.
- Some people create a small RRIF account at age 65 in order to make annual \$2,000 withdrawals which will qualify for the pension credit.
- You can make multiple transfers to the same RRIF account from your RRSP account.

## What to do with your new RRIF account?

One of the main differences between a RRIF and an RRSP is that you have to make at least one withdrawal per year from your RRIF account starting in the year you turn 72. To make that happen you have to set up some sort of **payment method** for your RRIF account.

## Some RRIF payment options:

The government rules say that you have to withdraw the mandatory amount from your RRIF by Dec 31 of that year. How you get your payment is up to you. You should check with your financial institution but here are some options that you will probably have available to you:

- **Payment frequency** – Do you want 1 lump sum payment at the beginning of the year? Or 1 payment on Dec 31? Would you like 12 monthly payments or some other option such as weekly payment? Just ask.
- **Payment form** – You can get the money as a cheque or EFTed to your bank account. You can also get it transferred to an open or TFSA account in the same institution.
- **Withholding tax** – Unlike a RRSP where there are set minimum percentages for the withholding tax depending on the withdrawal amount, there is no minimum withholding tax on the **mandatory withdrawal amount**, so you can elect to not have any withholding taxes taken from the withdrawals. If you take more than the mandatory amount then there are minimums, which is the same as a RRSP withdrawal. In either case you can (and probably should) ask the company to withhold a higher percentage. The amount withheld will create a tax credit on your next tax return but you could still owe more money on it especially if you have other income sources.

## More than one RRIF account

If you have more than one RRIF account, the mandatory amount has to be taken out of each account.

## What if I don't want a RRIF account?

No problem – just use the money in your RRSP to purchase an annuity before the end of the year you turn 71 and you will be good to go.