Preparing for Retirement? Learn How RRIFs Work

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If you've been contributing to a pension or Registered Retirement Savings Plan (RRSP) and retirement or your 71st birthday is around the corner, you're required to convert that nest egg into a Registered Retirement Income Fund (RRIF) [1]. This benefits you because an RRIF allows you to withdraw savings as income while still letting you grow your investments and minimize taxes.

The primary difference between an RRSP and an RRIF is that RRSPs are designed to accumulate savings throughout your lifetime, while RRIFs provide you with income during your retirement years. Like RRSPs, RRIFs allow you to hold a variety of investments. You're in control of how the funds are allocated, and you can own more than one RRIF to maximize your potential for continued growth through retirement.

Below are some common questions and answers about RRIFs.

When can I open an RRIF?

You can convert funds to an RRIF as early as age 55, but no later than the end of the year, you turn 71.

How do I open a RRIF?

You open an RRIF by converting funds from your RRSP. You may also transfer money from registered plans like employee pension plans or Deferred Profit Sharing Plans (DPSPs) under certain circumstances.

Can I make contributions to a RRIF?

Once it is set up, you can't make further contributions to the plan. However, you can control how the funds are invested inside your RRIF.

Can I have more than one RRIF?

Just as you can have more than one RRSP, you can also have multiple RRIFs.

What types of investments can I hold in a RRIF?

You can choose from various investment types for your RRIF, including stocks, bonds, mutual funds, GICs (Guaranteed Investment Certificates), ETFs (Exchange Traded Funds) and segregated funds.

Are there maximum or minimum withdrawal amounts?

There is no maximum withdrawal limit, but you are required to withdraw a minimum amount from your RRIF each year. It is calculated as a percentage of the total value of your RRIF and your age at the

beginning of the year. The younger you are, the lower the minimum, allowing you to keep funds growing for your future.

Do I pay taxes on withdrawals?

Once withdrawn, funds from an RRIF become taxable income.

What happens to my RRIF when I die?

Any money left in your RRIF when you pass away goes to your named beneficiaries or estate.

There are many factors to consider when preparing to convert your RRSP to an RRIF. While this article covers the basics, it's essential to discuss it with your financial advisor. Your process will depend upon several factors that your financial advisor can guide you through.

Call our office to set up an appointment. [2] We're here to help you make the most of the savings you've worked so hard to build.

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