MORNEAU SHEPELL

Registered Income Options

REGISTERED RETIREMENT INCOME FUND (RRIF)

This product is an option for people who hold RRSPs, DPSPs or non-locked-in money under a pension plan. Locked-in money that originated from a pension plan cannot be transferred into a RRIF, as a RRIF is only available for money that could have been taken in cash. A RRIF is basically the opposite of an RRSP. Instead of making set contributions each month, you make set withdrawals each month. The minimum annual withdrawal amount that you are required to make is set by the Income Tax Act. When withdrawing, you are only taxed on the money you take out – the money that remains in the fund continues to grow tax free. The government determines the minimum withdrawal amount using your balance on January 1 of each year, and a percentage using your age and/or your spouse's age. With a RRIF, you choose the investments but there are no guarantees the money will last.

LIFE INCOME FUND (LIF)

LIFs are available in every pension jurisdiction, except Prince Edward Island.

This product provides income from money that was originally in an employer-sponsored pension plan. If you have money from a locked-in RRSP, Locked-In Retirement Account (LIRA) or pension plan, you can choose to put your assets into a LIF. The tax-sheltered money invested in a LIF can provide regular income and is held in an account similar to an RRSP. You make all of the investment decisions and a LIF can be held for life, or it can be converted to an annuity. Like a RRIF, there are minimum withdrawal requirements based on your age, but there are also maximum withdrawal limits. Withdrawals are taxable as income. Pension jurisdictions regulate the maximum annual withdrawal amount. Also, in New Brunswick, at the age of 90, you must transfer the remaining assets in the plan to an annuity. For the Federal LIF, and the LIF in BC, QC, NS, MB, and AB, an annuitant can hold a LIF for their lifetime and is no longer required to convert the LIF to an annuity at age 80.

LOCKED-IN RETIREMENT INCOME FUNDS (LRIF)

LRIFs are only available in Ontario, Manitoba, Saskatchewan and Newfoundland.

This product is similar to a LIF with the exception that conversion to an annuity is not mandatory. Also, withdrawals can be based on the plans' investment return from the previous year or on the same minimum permitted for RRIFs and LIFs. In Ontario, any unused withdrawal room from one year can be carried forward to future years.

PRESCRIBED RETIREMENT INCOME FUND (PRIF)

PRIFs are currently only available in Manitoba and Saskatchewan.

This product is identical to regular Registered Retirement Income Funds (RRIFs), with the exception that a PRIF is creditor-protected, meaning creditors cannot access PRIF funds in the event of insolvency or bankruptcy, and, like Locked-in Retirement Income Funds (LRIFs), you can only transfer locked-in retirement funds into a PRIF. PRIFs do not have a maximum annual withdrawal amount.

ANNUITIES

This product is designed to guarantee income for life. Annuities can provide someone with monthly payments for the rest of your life, at a set term or a set number of payments. There are no tax implications at the time of purchase. If you purchase an annuity using your registered savings, then your payments are fully taxed. If you purchase an annuity using your non-registered savings, only a portion of the annuity (the interest) is taxable.

LOCKED-IN RETIREMENT ACCOUNT (LIRA)

This product is designed specifically to hold locked-in pension funds for former plan members, former spouses or common-law partners, or surviving spouses or partners. Funds held inside LIRA's will normally only become available (or "unlocked") to holders upon retirement. Funds cannot be removed until either at retirement or at a specified age outlined in the applicable pension legislation (though certain exceptions exist). Also, once funds have been transferred from a company pension plan to a LIRA, further contributions cannot be made into said LIRA. Any monetary amounts earned in the LIRA through investment are also considered to be locked-in.

	RRIF/LIF/LRIF/PRIF	Annuities
Advantages	~ Extremely flexible – can take income as needed (subject to minimum withdrawal limits for LIFs, LRIFs, RRIFs, PRIFs and maximum limits for LIFs and LRIFs). ~ Potential for solid investment growth through a diversified investment strategy. ~ Can convert to an annuity at any time if greater security is desired later in life. ~ Savings and investment income remain tax-sheltered until withdrawn. ~ Potential for capital to be left to the estate or named beneficiary.	~ All payments are guaranteed by insurer ~ Joint annuity is convenient way to guarantee financial security of a spouse ~ No money management issues – investment risk lies with the insurance company. ~ Savings are not taxed at time of purchase but payments are taxed as you receive them (subject to the rules discussed in the Annuities section).
Disadvantages	~ Need time and knowledge to manage your investments. ~ You assume all market risk – poor returns could mean less retirement income.	~ Can leave nothing for your estate, as most annuity payments end upon death and with no residual value, unless the annuity is for a guaranteed period in which case there will be a death benefit paid out for designated beneficiary or estate. ~ No flexibility in varying income from year to year. ~ Contract is final – can't convert back to a more flexible arrangement at a later date.