Canaccord Genuity Wealth Management

DON'T NEED EXCESS FUNDS?

# RRIF Minimum Withdrawal Planning

**As you think about retirement, maximizing your retirement income is an important part of this exciting transition. Ultimately, it's your after-tax income that counts: paying the least amount of tax on your income can help you keep more of your hard-earned dollars.**

Carefully consider and plan for all sources of income, including pension income, non-registered assets, and Tax-Free Savings Accounts (TFSA). If you have sufficient funds through pension income and non-registered assets to meet your retirement expenses, it may make sense to only withdraw the mandatory minimum amount from your Registered Retirement Income Fund (RRIF) or locked-in plans such as Locked-in Fund (LIF), Locked-in Retirement Income Fund (LRIF) or Prescribed Retirement Income Fund (PRIF) each year. This allows for continued tax-deferred growth within the plan.

Here are some additional strategies to help keep funds invested for longer:

**Basing the withdrawal rate on a younger spouse's age** — If you have a younger spouse, consider basing your withdrawal rate on their age in order to lower the amount of the required annual withdrawal, thereby helping to keep more assets within the RRIF to potentially grow on a tax-deferred basis.[1]

**Making your first withdrawal at the end of the year in which you turn 72** — You are required to convert your Registered Retirement Savings Plan (RRSP) or Locked-in Retirement Account (LIRA) into a RRIF/LIF/LRIF/PRIF by the end of the year in which you turn age 71, but you don't need to make the first withdrawal until the end of the year in which you turn age 72. This may permit greater time for potential compounded growth.

**Timing annual withdrawals at the end of each year** — The timing of withdrawals can make a difference over time. If you take your withdrawal at the end of each year, instead of the beginning, you will allow for greater time and potential compounding of funds within the plan.

Just how much of a difference can this make? Consider a 71-year-old with a marginal tax bracket of 40 percent and a RRIF worth $500,000 that has an annual rate of return of five percent. If this individual withdraws the minimum from the RRIF at the end of the year in which they turn 72, the after-tax income from age 72 to age 90 will be higher than if payments were made at the start of the year. As well, by the age of 90, $315,970 would be remaining in the RRIF, compared to only $293,177 if payments were made at the start of every year.[2]

**Plan Ahead**

While these strategies involve minimum withdrawals from your RRIF, consider that, in some cases, withdrawing more than the minimum amount can improve an overall lifetime tax bill. Every situation is different. As such, please get in touch if you require support as you think ahead.

1. Provincial locked-in plan legislation for LIF/LRIF/PRIF allows for the use of a younger spouse's age, with the exception of New Brunswick;
2. Based on current prescribed RRIF withdrawal factors.

## RRSP Season Reminders

It is RRSP season once again! If we can assist with RRSP contributions, please get in touch.

**Deadline for RRSP Contributions for the 2020 Tax Year:** March 1, 2021.

**RRSP Contribution Limit:** 18 percent of the previous year's earned income, limited to a maximum of $27,230 (for the 2020 tax year), less any pension adjustment or past service pension adjustment, plus unused contribution room carried forward.

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This document is for general information only, not intended to provide tax, legal or financial advice, and under no circumstances should be interpreted as a solicitation to act as a securities broker or dealer in any jurisdiction. All views are intended for general circulation only and do not have any regard to the specific investment objectives, financial situation or general needs of any particular person, organization or institution. All investors should consult with a qualified investment advisor or tax professional before making any investment decisions.

Tax & Estate advice offered through Canaccord Genuity Wealth and Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY