



## RON GRAHAM AND ASSOCIATES LTD.

10585 - 111 Street NW, Edmonton, Alberta, T5M 0L7  
Telephone (780) 429-6775 Facsimile (780) 424-0004  
Email [rgraham@rgafinancial.com](mailto:rgraham@rgafinancial.com)

### Are You 71 This Year?

If so, remember that, by law, this is the year that you must transfer your RRSP to a Registered Retirement Income Fund or purchase an annuity. If you do not transfer your RRSP to a RRIF or purchase an annuity, then your RRSP will be deregistered (withdrawn) and you will have to pay the tax on the full amount of the withdrawal

It is easy to transfer your RRSP to a RRIF. All you have to do is contact your RRSP supplier and indicate that you want to transfer your RRSP funds to a RRIF. Your RRSP supplier will get you to sign a trust agreement for your RRIF and a government form (T2033) for the transfer. Don't forget to sign the new beneficiary election. The supplier will then transfer the RRSP funds to the RRIF.

In many cases the supplier can transfer the actual investments in the RRSP to the RRIF. For instance, if you have a term deposit in your RRSP that matures in February 2010, that term deposit can be transferred to your RRIF so that you receive the same interest rate until maturity.

If you want a different supplier for your RRIF than your RRSP, you may have to wait until your investment matures. If your investment matures after the current year, then you may have to pay a penalty to redeem your investment early (you may wish to negotiate the waiving of this penalty). It may be better to transfer your RRSP to a RRIF with the same supplier until your investment matures. Once the investment matures, you can then transfer from that supplier's RRIF to a different supplier's RRIF.

What is a RRIF? A RRIF is just a continuation of your RRSP with some minor differences. Instead of putting money into a RRIF you must take money out. Canada Revenue Agency sets the minimum amount that you must take out. The withdrawal is a certain percentage of your RRIF balance. The percentage is based on your age.

Although there is a minimum withdrawal that you must make, there is no maximum that you can take out. You can withdraw as much of the RRIF as you want (assuming the RRIF investment is liquid).

The minimum withdrawal in the first year (the year you set up your RRIF) is zero (although you can take more if you want). The minimum withdrawal in the following years depends upon your age at the beginning of the year.

Prior to age 71, the minimum withdrawal is a specific fraction of your RRIF being  $1/(90 - \text{your age})$ . For example, if you are 60 at the beginning of the year following

the year in which you start the RRIF, you must receive at least 1/30th of the fund in that year (or 3.33%). If you are 70 at the beginning of a year, you must receive at least 1/20th of the fund (or 5%). Starting at age 71, minimum payments are made according to a schedule created by Canada Revenue Agency.

You can choose to have the withdrawal minimum calculated based on the younger spouse's age. (This makes the minimum payment smaller.)

If the minimum amount is greater than what you want as an income, you can keep some of your money in your RRSP and transfer some of your money to a RRIF. But when you turn 71, you will have to transfer the rest of your RRSP to the RRIF.

The following table shows the minimum percentage withdrawals for a RRIF:

AGE	MIN %	AGE	MIN %	AGE	MIN %
50	2.50	65	4.00	80	8.75
51	2.56	66	4.17	81	8.99
52	2.63	67	4.35	82	9.27
53	2.70	68	4.55	83	9.58
54	2.78	69	4.76	84	9.93
55	2.86	70	5.00	85	10.33
56	2.94	71	7.38	86	10.79
57	3.03	72	7.48	87	11.33
58	3.13	73	7.59	88	11.96
59	3.23	74	7.71	89	12.70
60	3.33	75	7.85	90	13.69
61	3.45	76	7.99	91	14.73
62	3.57	77	8.15	92	16.12
63	3.70	78	8.33	93	17.92
64	3.85	79	8.53	94 +	20.00

Once the money is in your RRIF, you must make decisions about what investment you will buy. The choices are virtually identical to the investment choices in your RRSP. You can choose term deposits, mutual funds, savings accounts, stocks, bonds, foreign investments, and even annuities.

The choice should be based on your investment goals and your tolerance to risk. Some individuals will want maximum income and low risk; others will want maximum growth with higher risk (because they do not need the money anyway). Before somebody sells you your RRIF investment, make sure you know your goals and risk comfort level.