

Consider your retirement income options

Whether you've already retired or plan to retire soon, it's important to understand your retirement income options so you can make sound decisions. Although retirement income needs and objectives are unique to each person, it's wise to consider how to:

- maximize income potential;
- ensure flexibility to adjust to changing needs; and
- manage taxable income

What happens to my RRSP when it matures?

Revenue Canada's guidelines mean you must decide what to do with the money in your RRSP by Dec. 31 in the year you turn 69. When it's time to turn your savings into retirement income, here are some options to choose from.

- Option 1 - Convert your RRSP to cash. If you take your RRSP balance as a cash payment, the full amount is considered taxable income in the year you withdraw it.
- Option 2 - Convert your RRSP to retirement income. Instead of cashing in your RRSP, you can choose a RRIF, an annuity or a combination of both.

What's a RRIF?

A Registered Retirement Income Fund, or RRIF, is one of the most popular RRSP maturity options. Your funds remain invested on a tax-sheltered basis and only the income you take from your RRIF each year is taxable.

The amount of income you earn depends on how much money you put into the RRIF, the type of payments you select and the rate of return on the investment you choose. RRIF payments aren't guaranteed for life, but can continue as long as your remaining RRIF balance is enough to provide regular payments.

A key feature of RRIFs is flexibility — the income you draw can remain the same, decrease or increase each year. Under government regulations, you must take a specific minimum amount of income each year, depending on the amount of your RRIF and your age, but there's no maximum limit. RRIFs also give you the choice of a variety of investment vehicles, similar to those you've held in your RRSP.

What's an annuity?

An annuity is a contract you purchase with a lump sum of money. In return, you receive a series of guaranteed payments. As with a RRIF, your annuity payments only become taxable in the year that you receive them. The income you receive from an annuity depends on the amount of money you put in, current interest rates, your age and the options you choose.

Annuities may be arranged to provide an income for a specific number of years or for your entire lifetime. As well, you can set up an annuity to provide continuing income to your spouse in the event of your death.

Keep in mind that annuities offering lifetime payments either to you or to both you and your partner are only available from life insurance companies.

A few words about LIFs

You may wish to consider a Life Income Fund (LIF) if you have a locked-in RRSP, LIRA (locked-in retirement account) or are entitled to company pension benefits. A LIF offers flexibility while helping funds last throughout your retirement years. Your London Life representative can give you information about the purchase rules and regulations that apply in the province where you earned your locked-in funds.

How do I know what's best for me?

The RRIF gives you more flexibility and more control over capital and income than any other retirement income product. If you prefer a guaranteed fixed income product with less flexibility, an annuity option might be a more appropriate solution.

There's no limit on how many annuities and RRIFs you may buy. The specific plans you choose and how they're combined depends on a careful analysis of your circumstances. Your London Life representative can help you make the most of your retirement through a personally-tailored financial program.