

# **CANADIAN RELOCATION SYSTEMS, "MOVING TIMES" FEBRUARY 2005**

## **RETIREMENT PLANNING AND RRIFs**

Many people in retirement are reaching the time when they have to make a decision regarding the funds that they have accumulated in their RRSPs over the years. Either before or no later than December 31st of the year that you reach the age of 69 you are required to collapse your RRSP. This is an important decision that could impact the rest of your life so it should not be left to the last minute.

There are basically four options available to you at this time:

- 1) Cash in (deregister) your RRSP;
- 2) Purchase an annuity (either life or term-to-ninety);
- 3) Transfer RRSP assets to a Registered Retirement Income Fund (RRIF);
- 4) A combination of the preceding three options.

As a result of various legislative changes since 1978 when RRIFs were first introduced they have become the most popular option for accessing RRSP savings to provide income during retirement.

### **Why are RRIFs so popular?**

1) Investments - the investment options with a RRIF are basically the same as with an RRSP so you can to continue investing based on your particular needs and properly diversify your savings as required. Remember investment objective change as we grow older. With an RRSP growth is a prime objective but with a RRIF growth is not as important as capital preservation and income generation.

2) Withdrawals - unlike annuities which generally have fixed payments RRIF withdrawals can be increased or decreased as long as the minimum is paid out each year and as well lump sum withdrawals are possible.

3) Growth - with an annuity, any returns over and above the withdrawn amount go to the issuer. With a RRIF, you retain all the money earned. This should result in a larger total payout.

4) Estate Planning - with the exception of any unexpired guarantee portion of an annuity, all remaining assets of the annuity become the property of the issuer. With a RRIF, remaining assets are transferable to beneficiaries or to your estate. If the transfer is to a spouse it can take place tax free and in the case of a transfer to a registered charity there are favourable tax implications.

In conclusion, let me emphasize that there is not a single solution to financial planning for retirement that suits everyone. Also what is the best solution at age 69, may not be appropriate at 79 or 89. Financial markets are becoming more volatile and this is a trend that will probably accelerate. Interest rates and inflation are historically low but this could change as it has in the past. Flexibility and control over your retirement funds will therefore increase in importance.

At the present time RRIFs offer the best opportunity and a portion, at least, of your retirement funds should be held in this way. Individual needs, health, comfort level, desires, are all different and require different solutions. It takes a great deal of thought and planning and should include some professional assistance to explore the various options.

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