

Are you familiar with **LIRAs** and **LIFs**?



It's all online

The information contained in this document is also available on our Web site. There you can find up-to-date information and amounts.

Use our online services:

- LIF Quick Calc
- Financial institutions that offer LIRAs and LIFs

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Introduction

You have stopped working and are entitled to transfer amounts accumulated in your supplemental pension plan to an LIRA or an LIF. You may be wondering:

- **What is an LIRA?**
- **What is an LIF?**
- **Can I withdraw money from an LIRA or LIF?**
- **When can I withdraw money?**
- **How much can I withdraw?**

LIRAs and LIFs

This booklet deals with LIRAs and LIFs subject to the *Supplemental Pension Plans Act*¹ and that are made up of amounts originating in:

- pension plans subject to the *Act*, that is, plans sponsored by employers whose activities are under provincial jurisdiction and which are found in the private, municipal and university sectors, as well as certain plans from the parapublic sector;
- or**
- other pension plans administered by the Commission administrative des régimes de retraite et d'assurances (CARRA), including the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP).

The contents of this booklet **do not** deal with amounts that originate in pension plans in the private and public sectors that are under federal jurisdiction (banks, interprovincial transport and telecommunications companies, federal public service, Crown corporations, etc.).

1. To find out which law applies to an LIRA or LIF, consult the 21 May 2008 *Newsletter Express*, which is available on the Régie's Web site.

LIRA

(Locked-in retirement account)

An LIRA is a specific type of registered retirement savings plan (RRSP), to which you can transfer amounts from a supplemental pension plan or an LIF.

Unlike the amounts invested in a traditional RRSP, those in an LIRA are **locked-in** and can only be used, allowing for exceptions, to provide a retirement income. You cannot withdraw the amounts.

You can hold an LIRA until the end of the year in which you reach age 71. You must then transfer it to an LIF or purchase a life annuity, regardless of when your investments mature.

Most financial institutions that offer RRSPs also offer LIRAs. The list of financial institutions that offer LIRAs is available on the Régie's Web site under "Online services".

Can I receive an income from my LIRA?

No. LIRAs are used to accumulate retirement savings. To receive an income, you must first transfer the amounts accumulated in your LIRA to an LIF or use those amounts to purchase a life annuity from an insurer.

Can my LIRA be refunded?

In certain situations, your LIRA can be refunded. For more information, consult the section entitled "LIRA and LIF refunds" on page 12.

LIF

(Life income fund)

An LIF is a specific type of registered retirement income fund (RRIF)² to which you can transfer amounts coming from your supplemental pension plan or your LIRA. Unlike with a traditional RRIF (which has no withdrawal ceiling), you cannot withdraw more than an authorized maximum amount each year from an LIF.

Most financial institutions that offer RRIFs also offer LIFs. The list of financial institutions that offer LIFs is available on the Régie's Web site under "Online services".

What can I withdraw from my LIF?

You can withdraw a life income. In addition, you can draw a temporary income if you respect certain conditions. The total amount that you can withdraw from your LIF is based on **your age at 31 December of the previous year** and on **the balance of your account**.

Life income

A life income is the retirement income that you can receive from your LIF each year until your death. You can apply for it at any age and without any condition.

You must withdraw the **minimum** required each year; that minimum is determined by the Canada Revenue Agency and is the same as for RRIFs.

However, since the amount in your LIF must be large enough to provide you with an income until your death and because it comes from a supplemental pension plan, you cannot withdraw more than the authorized **maximum** each year. The maximum is calculated on the basis of your age, the balance in your LIF and the reference rate set for LIFs.

2. An RRIF is generally composed of sums from an RRSP or another RRIF. An RRIF allows you to progressively withdraw a retirement income. There is no ceiling on withdrawals. However, each year you must withdraw the minimum required under tax rules. The capital is not taxed; only withdrawals are.

At the beginning of each year, your financial institution will calculate the minimum and maximum withdrawals you can make for the year in question. You will then receive the amount you request in the number of payments provided for in the contract you signed with your financial institution. **The amounts you withdraw are subject to income tax.**

Temporary income

If your LIF contract offers the option,³ it is often possible to withdraw an additional amount from an LIF. This is called a temporary income. Certain conditions, based on age, apply. Those conditions are described in the next section.

The temporary income generally allows you to withdraw a higher total income (life income + temporary income). However, this will result in a reduction in your life income.

To obtain a temporary income, you must apply each year to your financial institution. If you are entitled to one, the financial institution will calculate the amount you can withdraw and have you complete the required declarations.

A temporary income cannot exceed 40% of the maximum pensionable earnings (MPE) for the year of the request. The MPE is the maximum salary on which Québec workers and employers contribute to the Québec Pension Plan for a given year. In 2011, the MPE is 48 300\$. The temporary income can therefore not exceed 19 320\$ (40% of 48 300\$). **The amounts you withdraw are subject to income tax.**

3. Financial institutions are not obligated to offer the temporary income option.

Who can receive a temporary income from an LIF?

To find out whether you can receive a temporary income from your LIF and what conditions apply, you must first consider your age.

You were under age 54 on 31 December

If you were under age 54 on 31 December of the previous year, you can request a temporary income from your LIF every year.

You must meet the following 2 conditions:

- ▶ You must have only one LIF.
- ▶ The other income⁴ (gross) that you expect to receive over the 12 months following your application for a temporary income must not exceed 40% of the MPE for the year in which you make the application, that is, 19 320\$ in 2011. Note that when calculating your other income, the temporary income is not included in the calculation.

The temporary income you can receive varies according to the gross amount of your other income. In addition, it **will be paid monthly** as of the month of your application, until the end of the year. The monthly payment cannot exceed 1 610\$ ($19\,320\$ \div 12$) in 2011, if your other income is estimated to be nil. This remains the case until the account is depleted.

For example, if you make your application:

- ▶ in January, you will receive 12 monthly payments of a maximum of 1 610\$ each;
- ▶ in September, you will receive 4 monthly payments of a maximum of 1 610\$ each.

4. The term *income* means any amounts received as a salary, interest, pension, etc. and includes employment insurance, income security (welfare) benefits, indemnities from the Commission de la santé et de la sécurité du travail (CSST) or the Société de l'assurance automobile du Québec (SAAQ), interest income, bursaries and salary insurance. Income received for the benefit of a third party, such as child assistance payments and child support payments, are not counted.

Example

Renée is 52 on 31 December 2010 and has 50 000\$ in her LIF, which has a temporary income option. Renée expects to have a gross income of 8 000\$ during the 12 months following her application for a temporary income. Since her estimated gross income is less than 40% of the MPE, she is entitled to request a temporary income. Her financial institution calculated the amounts that she can receive from her LIF in 2011 based on her gross income:

- If Renée **only** asks for the maximum life income, she can draw 3 050\$ from her LIF in 2011, regardless of when she applies.
- If Renée applies for the **maximum** temporary income, she can receive monthly payments of 1 110\$ as of the month of her application until the end of 2011. Thus, if Renée makes her application:
 - in January, she is entitled to 12 payments of 1 110\$, for a total of 13 320 \$;*
 - in September, she is entitled to 4 payments of 1 110\$, for a total of 4 440 \$.*

* Note that in either case, Renée cannot receive both a life income and a temporary income at the same time.

To find out life income and temporary income amounts

To find out the life income or temporary income that you can draw from your LIF, contact your financial institution. You can also consult the “LIF Quick Calc”, a calculator available on the Régie’s Web site under “Online services”.

You were between 54 and 64 on 31 December

If you were between 54 and 64 on 31 December of the previous year, you can draw a temporary income from your LIF each year, that is, until 31 December of the year in which you turn 65. The amount to which you are entitled depends primarily on the other temporary income that you receive under a supplemental pension plan or another LIF.

If you apply for a temporary income, your financial institution must adjust the amount of your life income. Your maximum life income will therefore be reduced. You will receive the temporary income that you request **in accordance with the number of payments provided for in the contract** you signed with your financial institution.

Example

Claude is 58 on 31 December 2010 and has 200 000\$ in his LIF, which offers the option of a temporary income. He is not receiving a temporary income from a supplemental pension plan or another LIF. His financial institution calculated the amounts he can draw in 2011:

- If he requests the maximum life income, he can draw 13 200\$ from his LIF in 2011, regardless of when he applies.
- If Claude requests a temporary income of 19 320\$ (the maximum temporary income for 2011), he will be entitled to an adjusted life income of 4 218,13\$. Therefore, he can draw a maximum of 23 538,13\$ (19 320\$ + 4 218,13\$) from his LIF in 2011.

You were age 65 or over on 31 December

If you were 65 or over on 31 December of the previous year, you can draw a life income from your LIF, but **you can no longer receive a temporary income**. This restriction was set because people usually start receiving income from public plans at age 65 (Québec Pension Plan and Old Age Security pension).



Note that you can request a temporary income until 31 December of the year in which you turn 65.

However, if you meet certain conditions, you could withdraw the entire amount of your LIF. For more information, consult the section entitled “LIRA or LIF refunds” on the following page.



LIRA and LIF refunds

Your LIRA or LIF can be refunded, that is, a payment in cash or by transfer to another retirement savings vehicle such as an RRSP or RRIF **if you are in one of the following situations.**

Amounts withdrawn are taxable, unless they are transferred directly to an RRSP or RRIF.

1 You are age 65 or over

If you were 65 or over on 31 December of the previous year, the balance of your LIRA or LIF can be refunded at any time provided the amounts accumulated in retirement savings vehicles are less than 40% of the MPE, i.e., 19320\$ in 2011. These vehicles include: LIRAs, LIFs, defined contribution supplemental pension plans (or the defined contribution component of your defined benefit plan), simplified pension plans and locked-in RRSPs.

Only the financial institutions holding your savings vehicles or the administrators of pension plans to which you have contributed in the past can provide you with information about the amounts you have in the retirement savings vehicles mentioned above.



2 You no longer live in Canada

Regardless of your age, if you have not lived in Canada for at least two years and your investments have matured, your LIRA or LIF can be refunded in a single payment. You must make your application to your financial institution, whose personnel will inform you as to the required proofs of non-residence.

3 You are disabled

If you are disabled, your LIRA can be totally or partially refunded if you provide your financial institution with a medical certificate attesting that you meet the following two conditions:

- you have a physical or mental disability
- and**
- it reduces your life expectancy.

A refund can be requested until the end of the year in which you reach age 71.

Refunding LIFs in the event of disability is not allowed. However, you can transfer your LIF to an LIRA and in this way obtain a refund until the end of the year in which you reach age 71.

Note that if you do not meet the conditions mentioned above, **neither your financial institution nor the Régie can authorize a refund of your LIRA.**

Questions and answers

1. What happens to my LIRA or LIF if I die?

When you die, the balance in your LIRA or LIF will no longer be locked-in. It will be paid to your spouse, or, if there is no spouse or he or she has renounced it, to your heirs. If the amounts invested in your LIRA or LIF are from the breakdown of a union, at your death those amounts will be paid to your new spouse only if that is provided for in the contract you signed with your financial institution.

In all cases, the amounts withdrawn are taxable, unless they can be transferred on a tax-free basis. If you would like more information on this subject, contact the Canada Revenue Agency by telephone at 1 800 959-8281.

2. Can my spouse renounce his or her right to receive the balance of my LIRA or LIF when I die?

Yes, your spouse can renounce his or her right to receive the balance of your LIRA or LIF, unless he or she has already received it. He or she can renounce his or her right after your death, but before the sums have been paid. The only requirement is that your spouse must provide the financial institution with a written notice of renunciation. Your spouse can also revoke his or her renunciation. The revocation must be sent to the financial institution in writing, before you die.

3. Can I transfer my LIF to another LIF during the year?

Yes, you can transfer your LIF to another LIF during the year if your investments have come to maturity. However, before making a transfer, be sure to withdraw all the amounts you want for the rest of the year because the new financial institution **cannot allow you to make a withdrawal** from an LIF that has been transferred until the beginning of the following year.

Note that a person under age 54 on 31 December of the previous year can receive a temporary income from the new financial institution, even if the LIF was transferred during the same year.

4. If I have an LIRA, must I wait until I am 55 to withdraw a retirement income?

No. You can transfer the amounts in your LIRA to an LIF at any time in order to withdraw a retirement income. However, the transfer could be delayed if your investments have not come to maturity at the date you request the transfer.

5. Can the Régie authorize me to withdraw the entire amount from my LIRA or LIF if I have financial problems?

No. The Régie does not have the power to authorize you to withdraw the entire amount from an LIRA or LIF under any circumstances. Sums held in an LIRA or LIF can be withdrawn only according to the conditions set out in this brochure.

6. Can I go back to an LIRA if I no longer wish to withdraw an income from my LIF?

Yes. You can transfer your LIF to an LIRA at any time until the end of the year in which you reach age 71. However, the transfer could be delayed if your investments have not come to maturity at the date you request the transfer.

7. Can my LIRA or LIF be seized?

If you go bankrupt, your LIRA or LIF cannot be seized under any circumstances. However, if you are not bankrupt:

- the amounts in your LIRA or LIF originating in a pension plan subject to the *Supplemental Pension Plans Act* can be seized for payment of a support debt or compensatory allowance, or for partition of family patrimony;
- sums from a plan administered by the Commission administrative des régimes de retraite et d'assurances (CARRA) that are transferred to an LIRA or an LIF can be seized.

8. What happens to my LIRA or LIF if there is a conjugal breakdown?

LIRAs and LIFs are part of your family patrimony. They can be partitioned following the breakdown of a marriage or civil union. They can also be partitioned between de facto (common law) spouses, if both spouses agree to partition in the 12 months following the breakdown of the union. Note that, regardless of the amount, sums received through partition must be locked-in. Thus, the money can only be used to provide retirement income for your former spouse.

9. Can I use my LIRA or LIF to take advantage of the Home Buyers' Plan (HBP) or the Lifelong Learning Plan (LLP)?

No. Sums held in an LIRA or LIF can be withdrawn only within the limits and conditions set out in this brochure. It is therefore not possible to withdraw amounts to take advantage of those programs.

10. Can I transfer amounts from my RRSP to my LIRA?

No. The only sums that can be transferred to an LIRA are those from:

- another LIF or an LIRA;
or
- a pension plan subject to the *Supplemental Pension Plans Act*;
or
- another pension plans from which transfers to an LIF or LIRA are allowed.

11. Can I use my LIRA or LIF to buy back past service in my supplemental pension plan?

Yes. Sums held in an LIRA or LIF can be used to buy back past service in a defined benefit pension plan, if it is allowed by the pension plan.

12. Can amounts withdrawn from my LIF be transferred directly to my RRSP or RRIF?

Yes, but certain limits apply, particularly for a person between ages 54 and 64 at 31 December of the previous year. For more information, consult your advisor or financial institution.

13. Can I transfer my LIRA to an LIF although my investments have not come to maturity?

No. You cannot transfer your LIRA if your investments have not come to maturity, unless your financial institution allows you to do so.

14. Can I draw a life income or a temporary income from my LIF although my investments have not come to maturity?

Yes. However, the contract you have with the financial institution may provide for fees or penalties for withdrawing investments before their maturity.

Other publications

Newsletter Express (21 May 2008): an article about how to determine the applicable law for an LIRA or LIF.

LIRA and LIF Offprint (French only).

Priced at 50 \$, this French-only publication reprints the parts of the *Supplemental Pension Plans Act and Regulations – Excerpts with Commentary* that deal with LIRAs and LIFs. **Financial institutions and planners** will find the commentary and examples essential to understanding and applying the *Regulation respecting supplemental pension plans*.

These publications and the order form for the offprint are available on the Régie's Web site.

The Régie's commitments

The Régie is committed to offering high-quality services which meet your expectations. To find out more about our commitments, consult the *Service Statement* on our Web site or call the Régie and ask for a copy.

Services Commissioner

The Services Commissioner handles complaints and comments with complete independence and confidentiality. The Services Commissioner can make recommendations to improve our programs and services.

You can reach the Services Commissioner by telephone or by Internet.



How to reach us

For more information on LIRAs and LIFs,
you can contact us:



By Internet

www.rrq.gouv.qc.ca



By telephone or fax

Québec region:	418 643-8282
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