RETRAITE QUÉBEC

Are you familiar with LIRAs and LIFs?

Information on locked-in retirement accounts and life income funds

Québec

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Introduction

You have stopped working and are entitled to transfer amounts accumulated under your supplemental pension plan to a locked-in retirement account (LIRA) or a life income fund (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 describes the main characteristics of LIRAs and LIFs subject to the *Supplemental Pension Plans Act*[1] that are made up of amounts originating in:

- pension plans subject to the Act, that is, plans sponsored by employers whose activities fall under Québec jurisdiction and which are found in the private, municipal and university sectors, as well as certain plans from the parapublic sector;

or

- the locked-in account of a voluntary retirement savings plan (VRSP);

or

- certain public-sector pension plans, including the Government and Public Employees Retirement Plan (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 our website.

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, the locked-in account of your VRSP 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 liquidate its assets, for example, by transferring the amounts to an LIF or purchasing a life annuity from an insurer.

Most financial institutions that offer RRSPs also offer LIRAs. The list of financial institutions that offer LIRAs is available on our website.

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 in 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 from your supplemental pension plan, the locked-in account of your VRSP or your LIRA. Unlike with a traditional RRIF, which has no withdrawal ceiling, you cannot withdraw more than a 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 our website.

What can I withdraw from my LIF?

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

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, you cannot withdraw more than the **maximum** each year. The maximum is calculated based 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 certain 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. These 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 2019, the MPE is $57 400. The temporary income can therefore not exceed $22 960 (40% of $57 400). **The amounts you withdraw are subject to income tax.**

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

Conditions that must be met to receive a temporary income from your 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 two conditions:

- You must have only one LIF.
- The gross amount of the other income[4] 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, $22 960 in 2019. 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 $1913.33 ($22 960 ÷ 12 months) in 2019, if your other income is estimated to be nil. This remains the case until the account is depleted.

For example, if you file your application:

- in January, you will receive 12 monthly payments of a maximum of $1913.33 each;
- in September, you will receive 4 monthly payments of a maximum of $1913.33 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 des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) 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 excluded.

Example

Rose is 52 on 31 December 2018 and has $50 000 in her LIF, which has a temporary income option. Rose expects to have a gross income of $8000 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 this year based on her gross income:

- If Rose **only** asks for the maximum life income, she can draw $3050 from her LIF in 2019, regardless of when she applies.
- If Rose applies for the **maximum** temporary income, she can receive monthly payments of $1413.33 as of the month of her application until the end of 2019. Thus, if Renée applies:
  - in January, she is entitled to 12 payments of $1413.33, for a total of $16 960;*
  - in September, she is entitled to 4 payments of $1413.33, for a total of $5653.32.*

* Note that, in either case, Rose 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 our website.

You were between ages 54 and 64 on 31 December

If you were between ages 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, a defined contribution plan that offers variable benefits, a VRSP that offers variable payments, 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

Charles is 58 on 31 December 2018 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, a defined contribution plan that offers variable benefits, a VRSP that offers variable payments, or another LIF. His financial institution calculated the amounts he can draw this year:

- If he requests the maximum life income, he can draw $13 200 from his LIF in 2019, regardless of when he applies.
- If he requests a temporary income of $22 960 (the maximum temporary income for 2019), he will be entitled to an adjusted life income of $2525.89. Therefore, he can draw a maximum of $25 485.89 ($22 960 + $2525.89) from his LIF in 2019.

You were age 65 or over on 31 December

If you were age 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** because the Québec Pension Plan and Old Age Security pension become payable without adjustment at age 65.

You can **request a temporary income** until 31 December of the year in which you turn age 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, you can receive a payment in cash or a transfer to another retirement savings vehicle such as an RRSP or RRIF **if you are in one of the following situations**:

- You were age 65 or over on 31 December of the previous year;
- You no longer live in Canada;
- You are disabled.

Amounts withdrawn are taxable, unless they are transferred directly to an RRSP or RRIF. For more information on the subject, contact the Canada Revenue Agency at 1 800 959-7383.

1. You are age 65 or over

If you were age 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 locked-in amounts accumulated in retirement savings vehicles are less than 40% of the MPE, i.e., $22 960 in 2019. These vehicles include LIRAs, LIFs, defined contribution supplemental pension plans (or the defined contribution component of your defined benefit plan), simplified pension plans, locked-in RRSPs and VRSPs.

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 or Retraite Québec can authorize a refund of your LIRA**.

Questions and answers

1. What happens to my LIRA or LIF when 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, or if your new spouse is your heir.

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 the subject, contact the Canada Revenue Agency at 1 800 959-7383.

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 in writing to the financial institution 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 his or her LIF, even if the LIF was transferred to the new financial institution during the same year.

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

No. You can, for example, 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 Retraite Québec authorize me to withdraw the entire amount from my LIRA or LIF if I have financial problems?

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

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 the amounts in my LIRA or LIF be seized?

If the amounts in your LIRA or LIF are from a pension plan subject to the *Supplemental Pension Plans Act*:

- they **cannot be seized** in most situations. However, the *Code of Civil Procedure* (CQLR, chapter C-25.01) may provide for certain exceptions.

If the amounts are from a Québec public-sector pension plan (e.g. RREGOP, PPMP):

- they **can be seized** if you have not declared bankruptcy or if you declared bankruptcy and the amounts were paid into the LIRA or LIF within the previous 12 months;
- they **cannot be seized** if the amounts were paid into the LIRA or LIF more than 12 months before you declared bankruptcy.

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

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, amounts 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 booklet. It is therefore not possible to withdraw amounts to take advantage of these 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;

or

- the locked-in account of a VRSP.

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 under 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 even if 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 even if 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.

Tiré à part CRI et FRV (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*.

This publication and the order form for the offprint are available on our website.

Online services

LIF Quick Calc: This service allows you to find out how much life income or temporary income you can draw from your life income fund (LIF), make several simulations to evaluate your best withdrawal options based on your age, and use the results to help establish your financial strategies.

Financial Institutions Offering LIRAs or LIFs: This service allows you to find out which locked-in retirement accounts (LIRAs) and life income funds (LIFs) are offered by a particular financial institution, obtain a complete list of financial institutions offering LIRAs or LIFs and find out if an LIF offers a temporary income.

These services are available on our website.

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- handling complaints and comments with complete independence and confidentiality. The **Commissaire aux plaintes et à l'amélioration des services** can make recommendations aimed at improving our services and programs. You can make a complaint or submit a comment to the Services Commissioner by calling us. For more information, visit our website.

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