



# Registered Retirement Income Fund (RRIF)

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## What is a RRIF?

The Registered Retirement Income Fund (RRIF) was introduced in 1978 by the federal government and has become the most popular maturity option for Registered Retirement Savings Plan (RRSP) funds. A RRIF is a plan registered with the Canada Revenue Agency designed to provide retirement income to the owner of the plan (annuitant).

### Benefits

- Retirement savings continue to grow tax-deferred
- Flexible retirement income option
- Eligible for pension income splitting for spouses/common-law partners at age 65

### Spousal RRIF

When a spousal RRSP is converted to a RRIF, it becomes a spousal RRIF. The annuitant will make all the investment decisions under that RRIF, as well as authorize any transfers or withdrawals.

The RRSP three-year attribution rule could have an effect on the payments from a spousal RRIF contract. Further information is available under Payments/Withdrawals.

## Transfers

### Transfer in

Amounts commonly transferred to a RRIF include the following:

- a Registered Retirement Savings Plan (RRSP) of the annuitant
- another RRIF of the annuitant
- a Tax-Free First Home Savings Account (FHSA) of the annuitant
- a locked-in plan, where legislation permits such transfers
- under certain situations, from the annuitant's Registered Pension Plan (RPP), Deferred Profit-Sharing Plan, and Saskatchewan Pension Plan (SPP)

### Transfer out

Eligible amounts held in a RRIF may be transferred to:

- another RRIF for the annuitant
- an annuity for the annuitant
- an RRSP for the annuitant if within the required age limit
- a locked-in plan, where legislation permits such transfers
- under certain situations, to the annuitant's RPP and SPP

### Relationship breakdown

- Amounts held in a RRIF may be transferred directly to a RRIF or RRSP of the annuitant's spouse/common-law partner (CLP) in the event of a relationship breakdown, as required by a decree, order, judgment of a court, or under a written separation agreement.
- Amounts held in an eligible registered plan (such as RRSP, RRIF, FHSA, etc.) of the annuitant's spouse/CLP may be transferred directly to a RRIF in the event of a relationship breakdown, as required by a decree, order, judgment of a court, or under a written separation agreement.

## Payments/Withdrawals

No payment is required from a RRIF in the first year; however, the Canada Revenue Agency requires that an annual minimum amount (AMA) be paid to the annuitant in each subsequent year. An annuitant may opt to receive regularly scheduled payments and/or lump sum withdrawals for any amount, provided they are not less than the minimum requirement.

### Annual minimum amount (AMA)

- AMA may be based on the age of annuitant or annuitant's spouse/common-law partner (CLP). The AMA will vary depending on whether the annuitant chooses their own age or their spouse/CLP's age as the age base. If the spouse/CLP is younger, this election would result in smaller minimum payments and a longer period of deferral.
- The AMA is determined by multiplying the value of the RRIF contract at January 1 by the legislated RRIF minimum withdrawal factors.
- No AMA is required from a RRIF in the first year.
- No transfer, whether partial or full, has the effect of eliminating the AMA for the year of transfer. As a result, if the AMA for the year has not been satisfied by payments already made to the annuitant, sufficient funds must be retained in the RRIF to satisfy the AMA and paid out to the annuitant during the year of transfer. If a full transfer, any remaining AMA must be paid out to the annuitant prior to transfer.

### Withholding tax

The resident withholding tax rate is based on the total of regularly scheduled payments in excess of the AMA for the year. Withholding tax is applied against the portion of the payment in excess of the AMA; tax is not withheld on the AMA.

For lump sum withdrawals, withholding tax applies to the full amount of the withdrawal.

Resident withholding tax rates are:

|                       |     |
|-----------------------|-----|
| \$5,000 or less       | 10% |
| \$5,000.01 - \$15,000 | 20% |
| \$15,000.01 or more   | 30% |

Non-resident withholding tax must be withheld from payments to an annuitant who is considered a non-resident for tax purposes. Non-resident withholding tax must be applied to the full amount of RRIF lump-sum withdrawals and regularly scheduled payments, including the AMA. The non-resident withholding tax rate is 25%. However, the tax rate may vary if there is a tax treaty between Canada and the annuitant's country of residence that provides for a different tax rate.

The annuitant (resident and non-resident) will include the amount withdrawn in income for the year of withdrawal and claim the tax deducted.

### Spousal RRIF

Where amounts are withdrawn from a spousal contract in excess of the AMA and the contributor made contributions to any RRSP in the year of withdrawal or the two preceding years, the contributor must report all or a portion of the excess amount in their income for the year. This does not apply in the following situations:

- the spouses/CLPs are living separate and apart as a result of relationship breakdown
- either spouse/CLP is a non-resident
- the contributor dies in the year of payment
- the annuitant dies



## Appointment of successor annuitant or designation of beneficiary

The annuitant under a RRIF may have RRIF payments continue to their spouse/common-law partner (CLP) after their death by appointing their spouse/CLP as successor annuitant. On the death of the annuitant, the RRIF contract continues in the name of the surviving spouse/CLP, subject to the same terms and conditions of the RRIF contract prior to the original annuitant's death.

Where the annuitant does not appoint a successor annuitant, they may designate one or more beneficiaries to receive the RRIF proceeds on death.

If no successor annuitant is appointed or no beneficiary is designated on the RRIF contract, funds are paid to the deceased annuitant's estate.

Note: Appointment of successor annuitant and designation of beneficiary are not available to residents of Quebec.

## Death of annuitant

The fair market value of the RRIF is included in the deceased annuitant's income for the year of death, except in the following instances:

- the deceased annuitant's spouse/common-law partner (CLP) is appointed successor annuitant of the RRIF; or
- the spouse/CLP is the **sole** designated beneficiary and **all** of the RRIF proceeds are transferred directly to the spouse/CLP's RRSP, RRIF, or other eligible retirement option prior to December 31 of the year following the year of death.

If the above exceptions do not apply, the amount considered income of the deceased annuitant may be reduced if the deceased annuitant's spouse/CLP or financially dependent child or grandchild receive the RRIF proceeds either as a beneficiary of the RRIF or of the estate.

If a successor annuitant has been appointed, income earned after death remains tax-sheltered in the RRIF. If a successor annuitant has not been appointed, income earned after death is taxable to the beneficiary(ies) or to the estate if no beneficiary has been designated.

## Life Income Fund (LIF), Locked-in Retirement Income Fund (LRIF), Restricted Life Income Fund (RLIF), and Prescribed RRIF

LIFs, LRIFs, RLIFs, and Prescribed RRIFs are RRIF contracts that contain locked-in funds transferred from Locked-in Registered Retirement Savings Plans (Locked-in RRSP), Locked-in Retirement Accounts (LIRA), Restricted Locked-in Savings Plans (RLSP), or Registered Pension Plans and are governed by the applicable federal or provincial pension legislation. These locked-in accounts are designed to provide retirement income. Unlike regular RRIFs, the amount of income an annuitant is eligible to receive is dictated by the applicable pension legislation. Like a regular RRIF contract, an annual minimum amount is required to be paid; however, payments may be restricted to a maximum withdrawal amount depending on the applicable pension legislation. Legislation may also allow additional withdrawals in special circumstances.

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