When it is time to convert your Registered Retirement Savings Plan to a Registered Retirement Income Fund

The thought of retirement can be exciting or can be a cause for concern. The difference in attitude comes down to planning. If you have planned for retirement, congratulations. If not, you have got some work to do.

One of the main factors in planning your retirement is income. Where are the funds going to come from? If you currently have a Registered Retirement Savings Plan (RRSP), the good news is that you can draw an income from those funds. By the age of 71, you must convert your RRSP to a Registered Retirement Income Fund (RRIF). A RIF provides continued growth in a tax-sheltered environment. It also offers you a choice in how assets are invested. The good news is that when you convert a RRSP to a RIF, the investments within the RRSP get directly transferred over. No need to liquidate any assets. However, once you have converted to a RRIF you can no longer contribute.

When determining your retirement income, here are other factors to consider.

- Estate Planning – When you die, where do you want the remaining funds to go? You cannot take it with you.
- Investment Mix – Withdrawing money does not mean you cannot keep earning.
- Clawbacks – Will the monies drawn from your RIF make you ineligible for government benefits like OAS?

Now that you have a RRIF, you to need figure out how much income you will need to maintain your lifestyle. When it comes to withdrawing money, the government requires you to withdraw a minimum amount each year. The minimum amount is based on when the RRIF was established, you or your spouse’s age and value of your RRIF. For more information about withdrawal minimums, contact your advisor.

Speak to your advisor today about how converting your RRSP to RRIF can be included in your overall retirement planning strategy.

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