Turning 71 this year?

Written by:
Cyrilla Saunders, CIWM, CIM, FCSI, FMA, EPC
Vice-President, Investment Advisor

The year you turn 71 signifies the need to make some important decisions regarding a Registered Retirement Savings Plan (RRSP) maturity option – before December 31st. If you fail to do so, your RRSP will be automatically de-registered, and the entire amount will be fully taxed. Unfortunately, the additional income could put you into a higher tax bracket, as well as trigger clawbacks of government retirement income benefits and a loss of various credits.

There are, of course, options available to you that help avoid this possible outcome. **The two most popular choices for investors with maturing RRSPs are:**

- Annuities
- Registered Retirement Income Funds (RRIFs)

The principle advantage of an annuity is that there is no ongoing management and you receive a guaranteed income stream for life, or a specified term. And, unlike income generated from a RRIF, some annuities may offer protection from outliving your capital.

The RRIF, however, is also a very popular RRSP maturity option. The principle advantage of a RRIF is that it offers maximum flexibility and control for investment, tax, estate and income planning purposes as well as the ability to transfer funds from a RRIF to an annuity at a later date.

In essence, a RRIF allows your investments to continue to grow tax-sheltered until income, subject to a minimum payout formula, is removed. There is also no limit to the amount you can withdraw at any given time, subject to the terms of the investments that you are holding within the fund. The RRIF pays income as long as your capital lasts and upon your death, any residual funds can be transferred to your beneficiaries (once taxes, if any, have been paid).

When comparing RRIFs and annuities, it's important to take your lifestyle and need for income into account. By considering these factors prior to the year in which you turn 71, you can relax, knowing that your chosen maturity option will work well for your situation.

Your contact for trustworthy, expert and innovative guidance for the management of your wealth.

CIBC Wood Gundy

Saunders Wealth Advisory Group

902 742-4499

www.saundersns.com