

Frequently Asked Questions – Registered Plan Trust Services

October 2007

Question	Answer
1. What is a locked-in retirement account (LIRA) and what are the options at maturity?	A LIRA is a registered retirement savings plan (RRSP) with locking-in provisions attached to it which are based on pension legislation. Since, pursuant to the provisions of the <i>Income Tax Act</i> , Canada (ITA) an RRSP matures when the annuitant turns 71, by that age a LIRA annuitant must either withdraw the LIRA funds as permitted by the governing pension legislation or choose between the purchase of an annuity, the transfer of the plan to a life income fund (LIF), the transfer to a locked-in retirement income fund (LRIF) or the transfer to a prescribed retirement income fund (PRIF), depending on the applicable pension legislation.
2. What is the difference between a LIF and an LRIF?	A LIF is a retirement income fund (RIF) with locking-in provisions attached to it which are based on pension legislation. It allows full control of investment choices up to age 80 for most jurisdictions (please refer to our standard addenda), while allowing the withdrawal of funds, within prescribed limits, as permitted by governing legislation. An LRIF is a plan governed by Alberta, Manitoba, Ontario or Newfoundland legislation that may be held indefinitely and to which minimum and maximum withdrawal limits also apply.
3. What determines the jurisdiction that governs a locked-in plan?	The province where the annuitant resides does not necessarily determine the jurisdiction. The jurisdiction of the locked-in plan should be provided by the transferor (often the former employer).
4. What is required to accept a transfer to a locked-in plan?	<p>If Canada Revenue Agency (CRA) Form T2151 is used for situations as set out in Subsection 147(19) or Section 147.3 of the ITA, the applicable legislation should appear in Area II. The former employee may also sign a benefits election form which has been provided by the employer. This form should also indicate the jurisdiction. Once the jurisdiction has been confirmed, the appropriate addendum, executed if required, should be provided to the customer.</p> <p>In all other situations, the appropriate form must be completed. It is up to the transferring institution to notify the receiving institution of the jurisdiction and whether the plan is locked-in.</p>
5. What requirements must be fulfilled when there is a change in the issuer of a retirement savings plan (RSP) specimen plan, or a carrier of a RIF specimen fund?	<p>There are three possible situations:</p> <p>Plan Amendments – When the successor issuer or carrier takes over the entire specimen plan, the change in issuer or carrier can be done by way of a plan amendment. The terms of the specimen plan must allow for the original issuer or carrier to resign from the specimen plan and for a successor issuer or carrier to be appointed. CRA approval must be obtained.</p> <p>Plan Splits – This is a situation where only a portion of the contracts in a specimen plan are transferred to another specimen plan. CRA handles these situations on a case-by-case basis.</p> <p>Bulk Transfers – When a transfer is done by way of a bulk transfer, each annuitant is required to complete an application form for the new plan and the successor issuer or carrier has to request registration of those contracts using Form T550. The transfer is done in the manner set out in Form T2033 or appropriate transfer request form.</p> <p>Please refer to the following link for more detailed information outlining the Registered Plans Directorate's requirements for processing each type of change:</p> <p>http://www.cra-arc.gc.ca/tax/registered/rrsp-rrif/faq-e.html#change</p>
6. Upon reaching the age of 69, what options does an annuitant have regarding their RRSP?	<p>The ITA does not allow for the annuitant to hold funds in their RRSP past December 31st of the year in which they turn 69. By that year, the annuitant must chose one of the following options for their RRSPs:</p> <ul style="list-style-type: none"> • Withdraw the RRSP funds; • Transfer them to a registered retirement income fund (RRIF); • Use them to purchase an annuity for life; or • Use them to purchase an annuity spread over a number of years. <p>The RRSP issuer will withhold appropriate withholding tax when funds are withdrawn from an RRSP. An RRSP issuer will not withhold tax on amounts that are transferred directly to a RRIF or that are used to purchase an annuity. However, tax may be payable on the income when the annuitant starts receiving payments from the RRIF or annuity.</p>

<p>7. Can the RRSPs of deceased annuitants be converted to a RRIF in the year in which they would have turned 69?</p>	<p>If you have received acceptable proof of death, the plan should not be converted to a RIF.</p>
<p>8. Can contributions be made to the RRSP of a deceased annuitant?</p>	<p>No contributions can be made to a deceased individual's RRSP after the date of death. However, the deceased individual's legal representative can make contributions to the surviving spouse's RRSP or common-law partner's RRSP in the year of death or during the first 60 days after the end of that year. Contributions made to a spouse's RRSP or common-law partner's RRSP can be claimed on the deceased individual's return, up to that individual's RRSP deduction limit for the year of death.</p>
<p>9. What reference materials are available for handling estate cases related to registered plans?</p>	<p>Registered Plan Trust Services has prepared an Estate Documents and Procedures Guide (May 2001) which is available on our website at http://www.tdcommercialbanking.com/trusts/registered.jsp</p> <p>CRA has posted the following publications on its website:</p> <p><u>T4040 RRSPs and Other Plans for Retirement 2005</u> Chapter 4, Payments from an RRSP or a RRIF, Chart 2 & Chart 3 Amounts from a Deceased Annuitant's RRSP/RRIF - Explains how to prepare a T4RSP and T4RIF and whose name the tax slip is to be issued in and reported by. http://www.cra-arc.gc.ca/E/pub/tg/t4040/t4040-05e.pdf</p> <p><u>T4079 T4RSP and T4RIF Guide</u> Chapter 4, Death of an annuitant under an RRSP or RRIF -Explains how to report amounts paid or that are considered to have been paid from an RRSP or a RRIF because the annuitant died. http://www.cra-arc.gc.ca/E/pub/tg/t4079/README.html</p> <p><u>Death of an RRSP Annuitant - Matured RRSP</u> http://www.cra-arc.gc.ca/tax/individuals/topics/rrsp/death/mature-e.html</p> <p><u>Death of an RRSP Annuitant - Unmatured RRSP</u> http://www.cra-arc.gc.ca/tax/individuals/topics/rrsp/death/unmature-e.html</p> <p><u>RC4177 Death of an RRSP Annuitant</u> -Contains general information about the taxation of amounts held in an RRSP at the time the annuitant died and the taxation of amounts paid out of an RRSP because the annuitant died. It explains how these amounts are generally reported and the options that are available to the deceased annuitant's legal representative and the qualified beneficiaries to reduce or defer the tax liability resulting from the annuitant's death. http://www.cra-arc.gc.ca/E/pub/tg/rc4177/rc4177-05e.pdf</p> <p><u>RC4178 Death of a RRIF Annuitant</u> -Explains the taxation of RRIF amounts when the annuitant dies, how they are reported and the options that are available to reduce or defer the tax liability resulting from the annuitant's death. http://www.cra-arc.gc.ca/E/pub/tg/rc4178/rc4178-05e.pdf</p> <p><u>Interpretation Bulletin IT-500R Registered Retirement Savings Plans-Death of an Annuitant</u> -Discusses the income tax treatment of payments out of an RRSP made on or after the death of an annuitant. http://www.cra-arc.gc.ca/E/pub/tp/it500r/it500r-e.pdf</p> <p><u>T4013 T3 Trust Guide</u> -Describes the conditions under which an RRSP, RRIF or registered education savings plan (RESP) trust has to complete and file a T3 return on page 10. - Explains that a trust may be entitled to income earned by an unmatured RRSP after the death of the only or last annuitant and that usually this income is shown on a T5 or T4RSP slip issued to the estate on page 18. http://www.cra-arc.gc.ca/E/pub/tg/t4013/t4013-05e.pdf</p>

<p>10. What provinces offer temporary income from a LIF? How does temporary income work?</p>	<p>The three jurisdictions that currently allow temporary income are Quebec, Newfoundland and Labrador and Nova Scotia. Each province has its own rules regarding amounts and forms required. For more information refer to the following:</p> <p>Quebec - http://www.rrq.gouv.qc.ca/en/programmes/rcr/CRI_FRV/FRV</p> <p>Newfoundland and Labrador - http://www.gs.gov.nl.ca/cca/ip/directive-05.stm</p> <p>Nova Scotia - http://www.gov.ns.ca/enla/pensions/lifinfo.asp</p>
<p>11. Can we accept a transfer of foreign pension monies?</p>	<p>Canadian law may allow foreign pension monies to be deposited into an ordinary RRSP, subject to the provisions of the <i>ITA</i>. One must look at the requirements for the particular jurisdiction to see if this would be permissible. For example, the U.K. requires that a transfer of U.K. pension monies go into a “pension scheme” authorized or recognized as such “by the relevant tax or supervisory authority” of the receiving country. An RRSP would not be such a pension scheme.</p> <p>Locked-in plans in Canada are governed by a particular Canadian provincial or federal jurisdiction. Only monies originating in a pension plan governed by such laws can be transferred into such a plan. Since foreign pension monies do not originate in a pension governed by the laws of a Canadian jurisdiction, it would appear that Canadian locked-in plans are not capable of receiving foreign pension monies.</p> <p>We recommend that you consult with your legal counsel to obtain an opinion regarding this issue.</p>
<p>12. What do we need to do when we want to revise our RSP, RIF or RESP application forms/declaration of trust?</p>	<p>We require the following information with your request to obtain CRA approval:</p> <ul style="list-style-type: none"> • A draft of the revised application form and declaration of trust or terms and conditions (electronic format of documents in pdf format can be sent to us by e-mail OR provide two hard copies so we can submit one and retain the other for our records); • The specimen plan name; • The specimen plan number; and • A detailed list of all changes that were made. <p>A direction authorizing CRA to deal with the Trustee directly may be required in the case of RESPs.</p> <p>Please incorporate any legislative changes that have been introduced since the last time the specimen plan was approved by CRA.</p> <p>Further information can be accessed at: http://www.cra-arc.gc.ca/tax/registered/rrsp-rrif/approval-e.html</p>
<p>13. How long will it take to have a revised RSP, RIF or RESP application form approved by CRA?</p>	<p>We will review your documents prior to making the submission to CRA and provide you with our comments. CRA's service standard for specimen plan approvals or changes is 60 days. Please allow sufficient time for this process as further revisions by the Trustee or CRA may be required. If you have time constraints, please let us know and we will make every effort to assist you.</p>

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