This Issue of Financial Affairs has been created to provide a brief overview of an important investment topic. For more detailed information or for a free copy of a Financial Affairs Issue that may be of greater interest to you, please contact your Financial Advisor.

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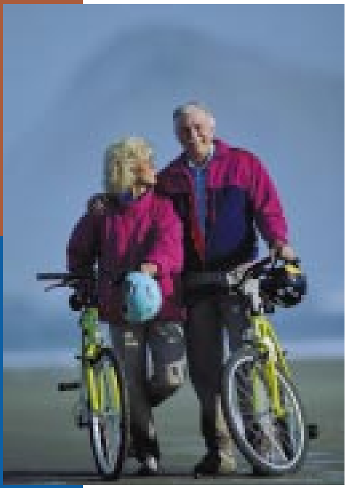
## [ Financial Affairs ]

**RRIFs: RETIREMENT THE WAY YOU LIKE IT**

# Extending Your RRSP For A Golden Future

# Extending Your RRSP For A Golden Future



After years of investing to build your RRSP nest egg, your future can be golden. The challenge is to use your accumulated funds in the smartest way possible. A Registered Retirement Income Fund (RRIF), today's most popular post-retirement investment vehicle, provides an effective extension of your RRSP along with many of the same advantages, including continuing tax shelters, ongoing growth for your assets, a wide variety of investment options and flexibility as a source of income.

## RETIREMENT INCOME MADE EASY

For people who want to control their savings, yet keep pace with inflation, RRIFs are a very flexible retirement income option. They also allow for tax deferral while permitting you to build an estate.

Like your RRSP, a RRIF is extremely versatile. You can continue to invest in a wide range of financial instruments and your assets continue to grow tax-free. Unlike your RRSP, however, you can only withdraw from – not contribute to – a RRIF.

## A LITTLE STORY

RRIFs were first introduced in 1978. In the beginning, Canadians could only have one RRIF at a time and were restricted in eligible investment choices. In 1986, some of those rules changed – for the better – making RRIFs substantially more appealing as a retirement alternative. You can now have as many RRIFs as you want, transfer to a RRIF at any age, and choose from a long list of investments in maintaining control over your portfolio options.

## HERE'S HOW THE PROCESS WORKS

Although assets accumulated in RRSPs can be transferred to a RRIF at any time, they must be completely transferred by December 31 of the year in which you turn 69.

There is no limit on the amount you may withdraw from your RRIF; however, Revenue Canada dictates that a minimum amount must be paid out annually, based on your age or the age of your spouse. As the plan's value and your age (or your spouse's age) change each year, the minimum amount distributed is adjusted accordingly.

While Revenue Canada requires that you withdraw at least the minimum annual amount, you can withdraw as much money as you want. However, any amount over the annual minimum is subject to withholding tax.

## CONVERTING SPOUSAL RRSPs

When you're converting a spousal RRSP to a RRIF, the same minimum withdrawal rules apply. If contributions were made to the spousal RRSP during the year the RRIF was established or in the previous two years, amounts withdrawn in excess of the minimum annual payout will be taxed in the hands of the original contributor.

## ABOUT RRIFs AND YOUR ESTATE

Your RRIF assets will form a part of your estate, and can be distributed to your beneficiaries, thus passing on more of the fruits of your labours to your loved ones.

## YOUR SPOUSE AS BENEFICIARY

If you designate your spouse as beneficiary, you have four choices:

1. Payments can continue as if your spouse were the annuitant.
2. Your spouse can collapse the existing RRIF and set up a new one with its own terms and payments.
3. Before age 69, your spouse can collapse the existing RRIF and roll the assets into an RRSP.
4. Your spouse can collapse the RRIF and take the proceeds as income.



You can designate a beneficiary for your RRIF in the plan itself, or in your will. You should check with your Financial Advisor to determine which method is best for you and which complies with the laws in your province.

If you don't name a beneficiary, your RRIF will be collapsed and a lump sum payment made to your estate. In this case, the payment is regarded as income and is fully taxed.

### FOR MORE INFORMATION

**To ensure that your RRIF will make your future more golden, speak to your Financial Advisor.**