UNDERSTANDING REGISTERED RETIREMENT INCOME FUNDS (RRIFS)

CK WEALTH MANAGEMENT

RRIF BASICS

Think of a RRIF as a Registered Retirement Savings Plan (RRSP) in reverse – RRSPs allow you to accumulate tax-sheltered savings for retirement, while your RRIF generates a taxable retirement income stream from these savings. In other words, you make tax-deductible contributions to a RRSP and make taxable income withdrawals from a RRIF.

OPTIONS FOR CONVERTING AN RRSP

1) Cashing in the RRSP

When an RRSP is cashed in, the entire fair market value of the plan will be included in the annuitant's income for the year of withdrawal and taxed at his or her marginal income tax rate. This could entail a tax bite exceeding 50% for many Canadians. So, withdrawing all RRSP funds is probably not the best way to start retirement.

2) Purchasing an Annuity

Annuities pay a predetermined annual income over a specified period. The amount paid will be based primarily on interest rates prevailing when the annuity is purchased. Unlike cashing in an RRSP, when an annuity is purchased, the value of the RRSP is not included in income all at once. Instead, the amount received annually will be taxed as income each year.

3) Converting to a RRIF

RRIF payouts are essentially the opposite of annual RRSP-deductible contributions. There are maximum annual amounts that may be contributed to an RRSP, and there are minimum RRIF withdrawals each year. The amount withdrawn from a RRIF will be taxable each year. As with an RRSP, growth within a RRIF is tax-deferred.

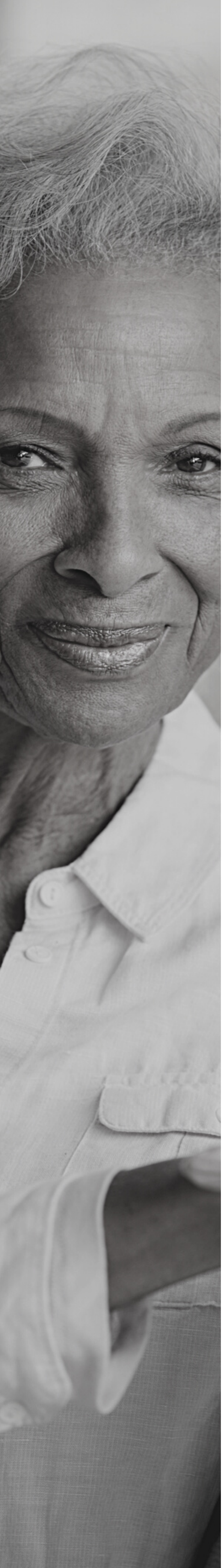
ANNUAL MINIMUM WITHDRAWALS

The annual minimum withdrawal amount is calculated by multiplying the market value of your RRIF on December 31st of the previous year, by a percentage set by the government, which increases with your age.

If your spouse is younger than you, you can use their age to calculate the annual minimum amount. The lower the age, the lower the minimum amount – which means you will likely pay less income tax on the withdrawals. This could be a good strategy if you have other sources of income and want to leave money in your RRIF for as long as possible.

Some government benefits, like Old Age Security (OAS) for example, are based on income levels. You risk receiving lower OAS payments if your taxable income is too high because of your RRIF withdrawals.

Revenue Canada has a chart to help you determine your RRIF withdrawal percentage.



5 THINGS TO KNOW ABOUT RRIF WITHDRAWALS

1) You are not required to make a RRIF withdrawal in the first year your account is opened. You have until the end of the following year to make your first withdrawal

2) All withdrawals are included in your income for the year and are taxable at your marginal income tax rate

3) If you have more than one RRIF account, you must withdraw at least the minimum annual amount from each of your accounts

4) You can choose 'in-kind' RRIF withdrawals - meaning you can withdraw securities at their fair market value (without selling them) to help meet the annual minimum withdrawal requirement

5) Withholding taxes will apply to withdrawals of cash and or in-kind securities that exceed your annual minimum amount.