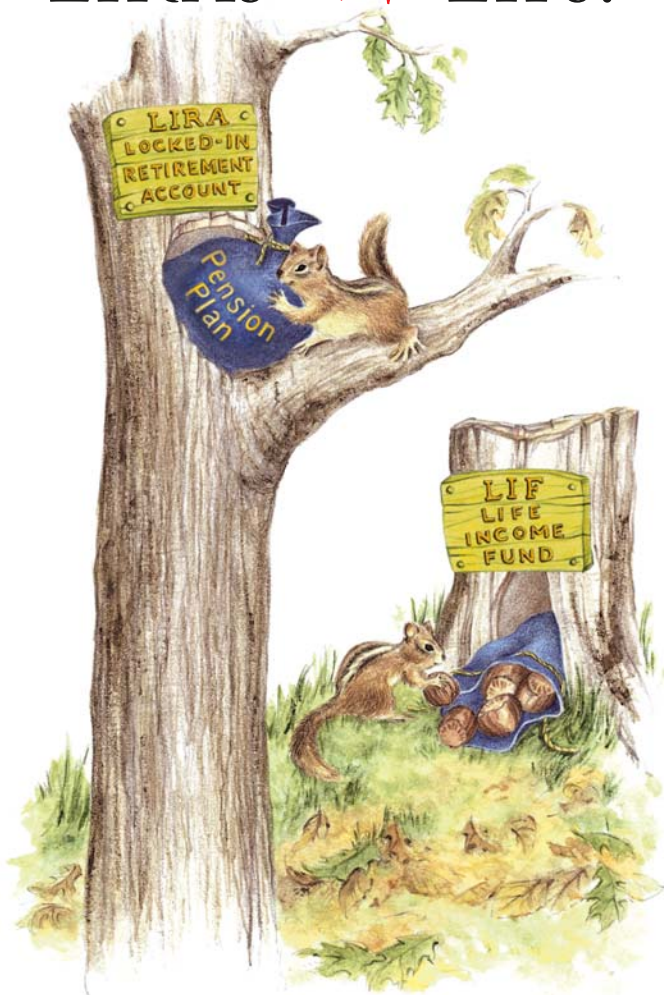


Régie des rentes du Québec

Supplemental Pension Plans

2006

Are you  
*familiar With*  
LIRAs *and* LIFs?



Québec 

This publication does not have force of law. In cases of conflicting interpretation, the *Supplemental Pension Plans Act* and its regulations prevail over the contents of this publication.

This document is also available for downloading on the Régie's Web site ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)).

A large print version is also available. Call the Régie at 1 800 463-5185.

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Each year, the Régie des rentes du Québec receives many requests for information about locked-in retirement accounts (LIRAs) and life income funds (LIFs).

For example, people who have lost their jobs and are entitled to transfer amounts accumulated in their supplemental pension plan to an LIRA or an LIF often ask us the following questions:

**What is an LIRA? What is an LIF?**

**Can I withdraw money from an LIRA or LIF?**

**When can I withdraw money? How much can I withdraw?**

If you would like to know more, you can find general information about LIRAs and LIFs in this booklet.

This booklet deals with LIRAs and LIFs subject to the *Supplemental Pension Plans Act* and made up of amounts that originate from:

- pension plans subject to the *Act*, that is, plans sponsored by employers in the private, municipal and university sectors and some plans from the parapublic sector whose activities fall under [Québec jurisdiction](#);

or

- other pension plans from which, under a specific law, amounts can be transferred provides to an LIRA or LIF, for example: some plans administered by the Commission administrative des régimes de retraite et d'assurances (CARRA), including the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP).

The contents of this booklet do not deal with amounts that originate from pension plans in the private and public sectors that are under [federal jurisdiction](#) (banks, interprovincial transport and telecommunications companies, federal public service, Crown corporations, etc.).



# LIRA

Locked-in retirement account



An LIRA is a specific type of registered retirement savings plan (RRSP), to which you can transfer amounts from a supplemental pension plan or an LIF.

The difference with an RRSP is that the funds in an LIRA are locked-in and can only be used to provide a retirement income. You cannot withdraw the funds.

You can hold an LIRA until the end of the year in which you reach age 69. You must then transfer it to an LIF or convert the amounts to a life annuity, regardless of when your investments mature.

Many financial institutions that offer RRSPs also offer LIRAs. You must contact one of these institutions to open an LIRA. The list of [financial institutions that offer LIRAs](#) is available on the Régie's Web site.

## Can I receive an income from my LIRA?

No. LIRAs are used to accumulate retirement savings. To receive an income, you must first transfer the amounts accumulated in your LIRA to an LIF or use those amounts to purchase a life annuity from an insurer.

## Can my LIRA be refunded?

In certain situations, your LIRA can be refunded. For more information, consult the section entitled "LIRA or LIF refunds" on page 11.



# LIF

Life income fund



An LIF is a specific type of registered retirement income fund (RRIF) to which you can transfer amounts coming from your supplemental pension plan or your LIRA. The difference with an RRIF (which has no withdrawal ceiling) is that you cannot withdraw more than an authorized maximum amount each year from an LIF.

Many financial institutions that offer RRIFs also offer LIFs. You must contact one of these institutions to obtain one. The list of [financial institutions that offer LIFs](#) is available on the Régie's Web site.

## What can I withdraw from my LIF?

You can withdraw a life income. In addition, you can draw a temporary income if you respect certain conditions.



## Life income

A life income is the retirement income that you can receive from your LIF each year until your death. You can apply for it at any age. As with RRIFs, you must withdraw the minimum required under tax rules. However, since the amount in your LIF must be large enough to provide you with an income until your death, you cannot withdraw more than the authorized maximum each year. The maximum is calculated on the basis of your age, the balance in your LIF and the reference rate set for LIFs.



At the beginning of each year, your financial institution will calculate the minimum and maximum withdrawals you can make for the year in question. You will then receive the amount you request in the number of payments provided for in the contract you signed with your financial institution. The amounts you withdraw are subject to income tax.

## Temporary income

It is possible to draw an additional amount from an LIF. This is called a temporary income.

To obtain a temporary income, your LIF contract must have a temporary income option and you must apply each year to your financial institution. If you apply for a temporary income and are entitled to one, the bank will calculate the amount you can withdraw and will have you complete the required declarations.

A temporary income cannot exceed 40% of the maximum pensionable earnings (MPE)\* for the year of the request, that is, 16 840 \$ in 2006. A temporary income is subject to income tax.



\* The maximum pensionable earnings (MPE) is the maximum salary on which Québec workers contribute to the Québec Pension Plan for a given year. In 2006, the MPE is 42 100 \$. Therefore, 40 % of 42 100 \$ is 16 840 \$.

# Who can receive a temporary income?

To find out whether you meet the conditions for payment of a temporary income, you must first consider your age.

## You are under age 54

If you are under age 54, you can request a temporary income from your LIF every year, but you must meet the 2 following conditions:

- you must have only one LIF;
- the other income\* that you expect to receive over the 12 months following your application for a temporary income must not exceed 40% of the MPE for the year in which you make the application, that is, 16 840 \$ in 2006. Note that when calculating your other income, the temporary income is not included in the calculation.

The temporary income you can receive is divided into 12 equal monthly payments. However, the monthly payments are made as of the month of your application until the end of the year. For example, if you make your application:

- in January, you will receive 12 monthly payments;
- in September, you will receive 4 monthly payments.



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\* The term “income” includes any amounts received as a salary, interest, pension or other, including employment insurance and income security (welfare) benefits, interest income, and salary insurance. Income received for the benefit of a third party such as child assistance payments and child support payments are not counted.

## Example

In 2006, Renée is 52 and has 50 000 \$ in her LIF, which has a temporary income option. Renée expects to have an income of 8 000 \$ during the 12 months following her application for a temporary income. Since her estimated income is less than 40% of the MPE, she is entitled to request a temporary income. Her financial institution calculated the amounts that she can receive from her LIF this year.

If Renée asks for the maximum life income, she can draw 3 050 \$ from her LIF in 2006, regardless of when she applies.

If Renée applies for a temporary income, she can receive monthly payments of 903,33 \$ as of the month of her application until the end of 2006. Thus, if Renée makes her application:

- in January, she is entitled to 12 payments of 903,33 \$, that is, a total of 10 840 \$;
- in September, she is entitled to 4 payments of 903,33 \$, that is, a total of 3 613,33 \$.

Renée therefore has the choice of drawing a life income of 3 050 \$ paid according to the number of payments provided in the contract she signed with her financial institution or of drawing a temporary income in the form of monthly payments of 903,33 \$ for the months remaining in the year, starting from the date of her application.



### To find out life income and temporary income amounts

To find out the life income and temporary income amounts that you can draw from your LIF, contact your financial institution. You can also consult the “[LIF Quick Calc](#)”, a calculator available on the Régie’s Web site ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)), under RégieNet.





## You are between age 54 and 65

If you are between 54 and 65, you can apply for a temporary income from your LIF each year, regardless of your other income. The temporary income allows persons who have not reached age 65 to obtain an additional amount from their LIF.

If you apply for a temporary income, your financial institution must adjust the amount of your life income. Your maximum life income will therefore be reduced.

You will receive the temporary income that you request in accordance with the number of payments provided for in the contract you signed with your financial institution.

### *Example*

In 2006, Claude is 58 and has 200 000 \$ in his LIF, which offers the option of a temporary income. His financial institution calculated the amounts to which he is entitled this year.

If he requests the maximum life income, he can draw 13 200 \$ from his LIF in 2006, regardless of when he applies.

If Claude requests a temporary income of 16 840 \$, he will be entitled to an adjusted life income of 5 371,08 \$. Therefore, he can draw a maximum of 22 211,08 \$ (16 840 \$ + 5 371,08 \$) from his LIF in 2006.



### **To find out life income and temporary income amounts**

To find out the life income and temporary income amounts that you can draw from your LIF, contact your financial institution. You can also consult the “[LIF Quick Calc](#)”, a calculator available on the Régie’s Web site ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)), under RégieNet.

**LIF**  **Quick Calc**



## You are age 65 or over

If you are 65 or over, you can no longer obtain a temporary income from your LIF, but you can draw a life income. This restriction was set because people usually start receiving income from public plans at age 65 (Québec Pension Plan and Old Age Security pension).

However, if you meet certain conditions, you could withdraw your entire LIF. For more information, consult the section entitled “LIRA or LIF refunds” on page 11.



### To find out life income amount

To find out the amount of the life income that you can draw from your LIF, contact your financial institution. You can also consult the “[LIF Quick Calc](#)”, a calculator available on the Régie’s Web site ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)), under RégieNet.

**LIF**  *Quick Calc*



## LIRA or LIF refunds

Your LIRA or LIF can be refunded only **if you are in one of the following situations**. The Régie cannot authorize a refund under any other circumstances.

Amounts withdrawn are taxable.

### You are age 65 or over

The balance of your LIRA or LIF can be refunded at any time if the amounts deposited in retirement savings instruments are less than 40% of MPE, that is, 16 840 \$ in 2006. These instruments include: LIRAs, LIFs, defined contribution supplemental pension plans (or the defined contribution component of your plan), simplified pension plans and locked-in RRSPs.

Your financial institution or pension plan administrator can inform you of the amounts you have in the retirement savings instruments mentioned above.

### You no longer live in Canada

Regardless of your age, if you have not lived in Canada for at least 2 years and your investments have matured, your LIRA or LIF can be refunded in a single payment. You must make your application to your financial institution, whose personnel will inform you as to the required proofs of non-residence.

### You are disabled

If you are disabled and under age 69, your LIRA can be totally or partially refunded if you provide your financial institution with a medical certificate attesting that you have a physical or mental disability that reduces your life expectancy.

However, refunding LIFs in the event of disability is not allowed.

# Questions and Answers

## **What happens to my LIRA or LIF if I die?**

When you die, the balance in your LIRA or LIF will no longer be locked-in. It will be paid to your spouse, or, if there is no spouse or he or she has renounced it, to your heirs. Amounts withdrawn are taxable, unless they can be transferred on a tax-free basis. If you would like more information on this subject, contact the Canada Revenue Agency by telephone at 1 800 959-8281.

## **Can my spouse renounce his or her right to receive the balance of my LIRA or LIF when I die?**

Yes, your spouse can renounce his or her right to receive the balance of your LIRA or LIF, unless he or she has already received it. The only requirement is that your spouse must provide the financial institution with a written notice of renunciation. Your spouse can also revoke his or her renunciation. The revocation must be sent to the financial institution in writing, before you die.

## **Can I transfer my LIF to another LIF during the year?**

Yes, you can transfer your LIF to another LIF during the year. However, the transfer could be delayed if your investments have not come to maturity at the date you request the transfer. You must also make sure to withdraw all the amounts you want for the rest of the year before making the transfer because the amounts transferred from your first LIF cannot be used to provide you with an income until the beginning of the following year.

The same rule applies to payment of a temporary income, except in the case of persons under age 54. If a person meets the conditions for entitlement to a temporary income, an amount can be paid, even if the LIF was transferred during the same calendar year.



### **If I have an LIRA, must I wait until I am 55 to withdraw a retirement income?**

No. You can transfer the amounts in your LIRA to an LIF at any time in order to withdraw a retirement income. The transfer could be delayed if your investments have not come to maturity at the date you request the transfer.

### **Can I go back to an LIRA if I no longer wish to withdraw an income from my LIF?**

Yes. You can transfer your LIF to an LIRA at any time until the end of the year in which you reach the age of 69. The transfer could be delayed if your investments have not come to maturity at the date you request the transfer.

### **Can my LIRA or LIF be seized?**

Sums originating in a pension plan subject to the *Supplemental Pension Plans Act* and that have been transferred to an LIRA or LIF cannot be seized except for purposes of partition of family patrimony, payment of a support debt or compensatory allowance. However, no more than 50% of the amounts can be seized.

### **Do I have to purchase a life annuity with my LIF at age 80?**

No. Since 1 January 1998, it is no longer necessary to convert an LIF into a life annuity at age 80.



## Financial institutions offering LIRAs and LIFs

You can [consult the list](#) on the Régie's Web site ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)), under RégieNet. You can find out which LIRAs and LIFs are registered with the Régie as well as which ones offer the temporary income option.



## Other publications

- *Newsletter Express* (18 December 1998): an article about transferring benefits and applicable law.
- *Newsletter Express* (8 May 2000), 2 articles: one on transferring LIFs during the year and the other on determining the maximum amount that can be transferred to an RRSP or RRIF.
- *Supplemental Pension Plans Act and Regulations - Excerpts with Commentary*  
LIRA and LIF Offprint (French only).

Priced at 50 \$, this French-only publication reprints the parts of the *Supplemental Pension Plans Act and Regulations – Excerpts with Commentary* that deal with LIRAs and LIFs.

Financial institutions and planners will find the commentary and examples essential to understanding and applying the *Regulation respecting supplemental pension plans*.

These [publications](#) and the order form for the offprint are available on the Régie's Web site.

# Your satisfaction is our priority!



## **Service Statement**

The Régie des rentes du Québec has made commitments to provide the public with: reliable service, simple procedures, courteous and personalized service, adequate information about your rights and responsibilities, efficient management, competent employees and accessible and rapid services.

You can obtain a copy of the *Service Statement* on our Internet site, at our client services centres or from the office of your member of the National Assembly.

## **Services Commissioner**

If you believe your situation has not received all the attention it deserves, you can contact the Services Commissioner, who will treat your complaints and comments completely independently. The Commissioner has the power to make recommendations to facilitate the resolution of disputes and improve client service. Complaints are kept strictly confidential and there is no need to fear personal repercussions.

You can contact the Services Commissioner by mail or through the Internet. You can also call the Régie (see the back cover of this brochure).

# How to reach us

For more information about LIRAs and LIFs, please contact us:

## By Internet

[www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)



## By telephone or fax

Telephone: 418 643-8282

Fax: 418 643-7421

## By mail

Information Officer  
Direction des régimes de retraite  
Régie des rentes du Québec  
Case postale 5200  
Québec (Québec) G1K 7S9