

FINANCIAL HARDSHIP UNLOCKING APPLICATION FORM INSTRUCTIONS

last updated January 2, 2008
(Please refer to the [application form](#))

Definitions Used in the Financial Hardship Application Form

Act – means the *Employment Pension Plans Act*, Revised Statutes of Alberta 2000, Chapter E-8.

Applicant – means the locked-in contract owner. The definition of Applicant also applies to the words “I”, “you”, “your”, and “yours” wherever they may appear in this Application, except for PART THREE, where they apply to the pension partner of the Applicant.

Application – means this application form, namely the Application for Access to Alberta Locked-In Funds due to Financial Hardship.

Agreement – means the agreement of the Applicant’s pension partner to the withdrawal of funds in a locked-in account for situations of financial hardship.

Contractual Payment – means the amount, if any, that is payable to the financial institution on a withdrawal from the Locked-In Account. Contractual payments may include, but are not limited to, fees, service charges, and penalties.

Dependant – means any person who is dependant on the Applicant or the Applicant’s pension partner at some time during the calendar year in which the Application was signed or during the previous calendar year.

Disability – means an illness, disability, or incapacity that may reasonably be expected to last for a continuous period of at least one year.

Financial Institution – means the fund holder of the locked-in account. The financial institution means the bank, insurance company, trust company, credit union, fraternal benefit society, or ATB Financial (formerly the Alberta Treasury Branch).

Locked-In Account – means a Locked-in RRSP (established before 1987), a Locked-In Retirement Account (LIRA), a Life Income Fund (LIF), or a Locked-in Retirement Income Fund (LRIF) that is governed by the Act and Regulation.

Your funds held in a locked-in account are subject to the Act and Regulation if you were employed in Alberta while you were earning the pension and you were not working for a federal public body or in a federally regulated industry (such as airlines, shipping, telecommunications, banking, and inter-provincial transportation).

Medical Expenses – means, in relation to an individual, expenses for goods and services for treatment of a condition pertaining to that individual that the Superintendent considers to be medical or dental in nature.

Pension Partner – means, in relation to another person,

- (i) a person who, at the relevant time, was married to that other person and had not been living separate and apart from that other person for 3 or more consecutive years, or
- (ii) if there is no person to whom sub-clause (i) applies, a person who, immediately preceding the relevant time, had lived with that other person in a conjugal relationship
 - a. for a continuous period for at least 3 years, or
 - b. of some permanence, if there is a child of the relationship by birth or adoption

Regulation – means the *Employment Pension Plans Regulation*, Alberta Regulation 35/2000.

Superintendent – means the Superintendent of Pensions, Alberta.

Year’s Maximum Pensionable Earnings (YMPE) – means the figure set by the Government of Canada each year in determining the maximum earnings on which Canada Pension Plan contributions must be paid. In 2007, the YMPE is \$43,700.

Unlocking Provisions of the *Employment Pension Plans Act*

There are 4 situations where the funds in your locked-in account may be unlocked **without completing this form** – meaning transferred to an unrestricted RRSP/RRIF (on a tax-deferred basis) OR withdrawn as cash / deposited into a bank account (reduced by applicable tax).

1. Small Amounts – Act section 46; Regulation section 45

- (a) For **2007**, if the dollar value of any single locked-in account is less than \$8,980, the account can be unlocked. This rule applies to anyone at any age on any *single* locked-in account. No forms are required to be completed under the legislation.
- (b) If you are **age 65 or older as of January 1, 2008**, AND if the value of your locked-in account is less than **\$17,960 at any time during 2008**, then the account can be unlocked. Please note that you cannot split your account to make it qualify under (a) or (b).

2. Considerably Shortened Life Expectancy – Act section 46; Regulation section 39, 40, 21

If a doctor confirms in writing that you have a terminal illness or a disability that considerably shortens your life expectancy, your locked-in funds may be unlocked. To unlock the funds, you **must** provide your financial institution with (1) the letter from your doctor, and if applicable (2) a waiver, "[Pension Partner Waiver to Permit Commutation due to Shortened Life or taking Non-residency Status](#)" (Form 05). A copy of Waiver Form 05 is available from the financial institution, or on our website at www.finance.alberta.ca.

3. Non-Residency Status for Tax Purposes – Regulation section 39, 40, 41

Your locked-in account can be unlocked if Canada Revenue Agency (CRA) determines that you are not a resident of Canada for income tax purposes. You can apply to obtain non-residency status by completing form [NR73](#) (Call the Forms and Publications Order Service at 1-800-959-2221).

If you qualify, CRA will send you a letter confirming that you are a non-resident of Canada for purposes of the *Income Tax Act*. In order to unlock your funds, you **must** provide your financial institution with (1) the letter from CRA, and if applicable (2) a waiver, "[Pension Partner's Waiver to Permit Commutation due to Shortened Life or taking Non-residency Status](#)" (Form 05). Copies of Waiver Form 05 are available from the financial institution or on our website at www.finance.alberta.ca.

4. 50% Unlocking - Regulation Schedule 1.1

Effective November 1, 2006, the *Employment Pension Plans Regulation* (the Regulation) has been amended to permit unlocking of up to 50% of the value of a LIRA, subject to certain requirements. You must be 50 years of age or more and hold an Alberta LIRA.

The 50% unlocking is completed through the financial institution that holds your locked-in account, and there is no need to apply through our office to take advantage of this opportunity. If you have a pension partner, you will require a completed copy of Form 6 – Pension Partner Waiver on Transfer to a LIF, DC RIA, or Annuity. This waiver, as well as further information in [Policy Bulletin #34 - 50% Unlocking](#), are available on our website at www.finance.alberta.ca, or you may contact your financial institution directly for assistance.

Instructions for Completing the Financial Hardship Application Form

These access provisions apply **only** to money held in a Locked-in RRSP/Locked-In Retirement Account (LIRA), Life Income Fund (LIF), or Locked-in Retirement Income Fund (LRIF) that is subject to the provisions of the *Employment Pension Plans Act* of Alberta, and the regulation under that Act.

PART TWO

Withdrawals are subject to the following maximum amounts:

- *Reason 1* – If you have been served with an eviction notice, the amount necessary to pay the rent arrears and otherwise to reinstate the tenancy to good standing plus enough money to cover the rent payments for one year; OR, if you have been served with a “Distress for Rent”, the amount necessary to pay the rental arrears plus one month’s rent.
- *Reason 2* – The amount necessary to pay the debt and otherwise to bring the debt into good standing plus enough money to cover the debt payments for one year.
- *Reason 3* – The amount necessary to pay 2 months’ rent OR one month’s rent plus the security deposit.
- *Reason 4* – The amount necessary to pay the medical expenses already incurred plus enough money to cover the medical expenses for one year.
- *Reason 5* – The amount necessary to pay the cost of the labour and materials involved in the renovation.
- *Reason 6* – The amount by which “E” exceeds “F” where:
 - E = 50% of the Year’s Maximum Pensionable Earnings for the year in which the application was made, and
 - F = 75% of the owner’s expected total income from all sources¹ before taxes following the date of signing the Application.
- *Reason 7* – The amount necessary to pay the amount of debt (income tax) that is claimed by legal proceedings.
- *Reason 8* – The amount the Superintendent deems is necessary given the circumstances of the case of financial hardship.
- *Reason 8a* – The amount necessary to pay the enforceable arrears under the Maintenance Enforcement Program.

¹ Income from all sources does not include the amount released from the locked-in account, a refund or repayment of taxes paid to a Canadian jurisdiction or interest thereon, a refundable tax credit, a payment received by a foster parent under the *Child Welfare Act*, or child support payments received under a court order or an agreement.

The gross amount withdrawn (including contractual payments to the financial institution) is considered taxable income, and taxes will be deducted at the time of withdrawal. When this income is combined with all other income when the Applicant completes a tax return for the year in which this withdrawal is made, additional tax may be payable.

Examples of supplemental income support programs would include, but are not limited to, the federal Guaranteed Income Supplement and Alberta Seniors Benefit.

Please note that:

- ALL funds withdrawn from your locked-in account are taxable income. Income tax will be deducted when the funds are released and *potentially* at the time you file your tax return for the tax year the withdrawal is made.
- Your financial institution may also deduct contractual payments (fees, service charges, etc.) from the amount withdrawn.
- Any funds withdrawn from a locked-in account may affect your ability to qualify for other supplemental income support programs (for example, Guaranteed Income Supplement and Alberta Seniors Benefit).
- The withdrawal of any amounts from a locked-in account may affect your future retirement income.
- Any funds withdrawn from a locked-in account will no longer be protected from creditors.
- The maximum withdrawals are explained in on page 2 of instructions appendix.
- Completion of this application form does not immediately qualify the applicant for a release of requested amount from their locked-in account.
- You cannot be required to withdraw locked-in funds under the Financial Hardship Unlocking Program in order to qualify for Alberta government sponsored programs such as AISH, Income and Employment Supports, Alberta Seniors Benefit or Student Financial Assistance.

PART THREE

Reason #1

Please refer to the Application form.

- Effective August 1, 2007, if you live in Alberta and are applying due to threat of eviction or for first and last month's rent, you must provide written confirmation from Alberta Employment, Immigration and Industry that you have been denied assistance through the Homelessness and Eviction Prevention (HEP) fund. The HEP Fund was established to provide short term assistance to Alberta residents who are facing eviction or having difficulty obtaining rental accommodation due to a lack of funds. As the Financial Hardship Unlocking (FHU) program is a program of last resort, the Superintendent of Pensions expects that if there are other means of accessing funds to assist you, they must be exhausted before receiving funds through the FHU program. You may contact the Homelessness and Eviction Prevention fund toll free, at (866) 644-5135. If you are denied by HEP, you may submit written confirmation of this denial and our office will review your file.

Reason #2

Please refer to the Application form.

Reason #3

Please refer to the Application form, and see Reason #1, above.

Reason #4

The illness or disability (to which the medical or dental expenses including costs of medications apply) must reasonably be expected to last for a continuous period of at least one year. For situations where the illness or disability would considerably shorten the affected person's life expectancy, the whole of the locked-in account may be unlocked.

Reason #5

Examples of a renovation to a home would include a wheelchair ramp, and any other specific alteration to a home to help accommodate a person with an illness or disability.

Reason #6

Your expected annual income must be less than $\frac{2}{3}$ rd of the YMPE. This threshold level will increase from year-to-year as the YMPE is adjusted by the Government of Canada. The income test applies to your income as the Applicant. In 2007, the YMPE is \$43,700. Two-thirds of the 2007 YMPE ($\frac{2}{3}$ rd %) is \$29,133; one-half (50%) is \$21,850.

Income from all sources does not include the amount released from the locked-in account, a refund or repayment of taxes paid to a Canadian jurisdiction or interest thereon, a refundable tax

credit, a payment received by a foster parent under the *Child Welfare Act*, or child support payments received under a court order or an agreement.

Reason #7

Please refer to the Application form.

Reason #8

You are required to submit a **detailed** explanation of the financial hardship situation you have encountered, outlining **how and why** the situation of hardship exists. When the Locked-in Account Advisory Committee (LAAC) reviews applications made due to reason #8, they look for evidence of a life altering event that caused or contributed to the situation of financial difficulty. The Superintendent reserves the right to request additional information with respect to any and all applications made under Reason 8.

General

If you apply **ONLY** under reasons #1 - #7 or 8(a), this application can be reviewed and processed by ASFI staff; however, this application may be referred to the Locked-in Account Advisory Committee (LAAC). Individuals who apply under reasons #8 will have their application form reviewed by the Locked-in Account Advisory Committee (LAAC).

You are only permitted to apply twice within every twelve-month period.

LAAC meets on a monthly basis and may review any and all information filed with ASFI in consideration of this application. ASFI staff will process the application once the committee has completed its review of the application and made their recommendation.

PART FOUR (A)

The pension partner Agreement must be signed in the presence of a witness who is not the Applicant. The Applicant must not be present when the Agreement is signed. The pension partner of the Applicant must sign the Agreement of his/her own free will.

PART FOUR (B)

The Certification of the Applicant must be signed in the presence of a witness. By signing this Certification, you, the Applicant, certify that all information provided is correct and true to the best of your knowledge.

The Superintendent of Pensions will review all application forms. Application forms may be forwarded to a Ministerial Advisory Committee for review, comment, and recommendation to the Superintendent, at which point the Superintendent will make the final decision.