

Commission of BC

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Superintendent of Financial
Institutions
Superintendent of Pensions
Superintendent of Real Estate
Credit Union Deposit
Insurance Corporation
Registrar of Mortgage Brokers

Consumer Alert

For Residents of BC

Subject: **SCAM to Access Locked-In Accounts**
Date: July 14, 2004

The Superintendent of Pensions warns those with a Locked-In RRSP or a Life Income Fund that some unscrupulous persons may lead to significant losses. Operators are improperly purporting to provide access to these locked-in funds. Advertisements have recently been noted in the Vancouver Sun. These schemes are not legal and in many of these scams the individual ends up with only a small portion of their savings.

These schemes are prohibited under the Pension Benefits Standards Act, which limits access to these funds so as to ensure that these resources are available for retirement income. Locked-In RRSP accounts and Life Income Funds are originated when pension entitlements are transferred out of a pension plan, but these funds are still restricted for retirement income purposes.

These "unlocking" schemes invariably involve substantial fees and complex financial structures to evade appropriate tax treatment initially. However, in most cases the individual ends up being liable for income tax and pays heavy fees so that he or she ends up with

- as little as 10-25% of the invested funds, and
- lost retirement income resources.

The Pension Benefits Standards Act does allow access to these locked-in funds in exceptional circumstances, such as shortened life expectancy. Individuals should consult the Commission website for details of these "unlocking" provisions of the law, at:

<http://www.fic.gov.bc.ca/pensions/rsp-lif/except.htm>

Those who have fallen victim to such schemes are asked to contact the Pensions Department of the Financial Institutions Commission.

The Financial Institutions Commission (FICOM) is a provincial regulatory agency and reports to the Minister of Finance for British Columbia. FICOM regulates insurance companies, credit unions, trust companies, mortgage brokers, and pensions.

For further information call (604) 660-2947.