



Locked-in Accounts

June 14, 2013 – Pension Division
Segment on LIRAs, Old LIFs, LRIFs



Hello, my name is Sharon Polischuk and with me is my co-host Rebecca Hines. This segment of the webcast covers locked-in retirement accounts, old LIFs and LRIFs. For an overview of the webcast or information on new LIFs or withdrawals in special circumstances, please click on the link appearing at the bottom of this screen. It will take you to our website where you will be able to make your selection.

Who can buy a LIRA?

❖ You can buy a LIRA if you have portability rights and :

- You have terminated employment
- You have terminated plan membership if you are in a MEPP;
- The pension plan has wound up; or
- You are the member's spouse or former spouse who is entitled to a portion of the member's pension as a result of a breakdown in spousal relationship

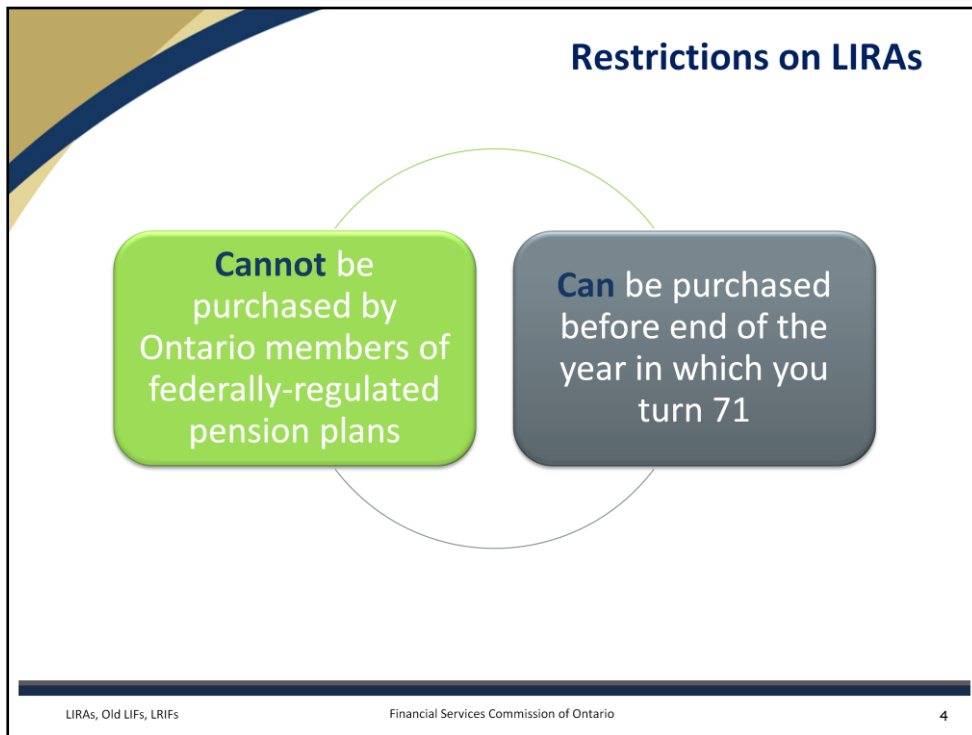


A LIRA is a special retirement account for money that was earned in a pension plan. A LIRA is an RRSP with special rules that preserve, or “lock in”, the money until you reach retirement age.

You can buy a LIRA if you are entitled to transfer the value of your pension out of the pension fund. This entitlement is referred to as “portability rights”.

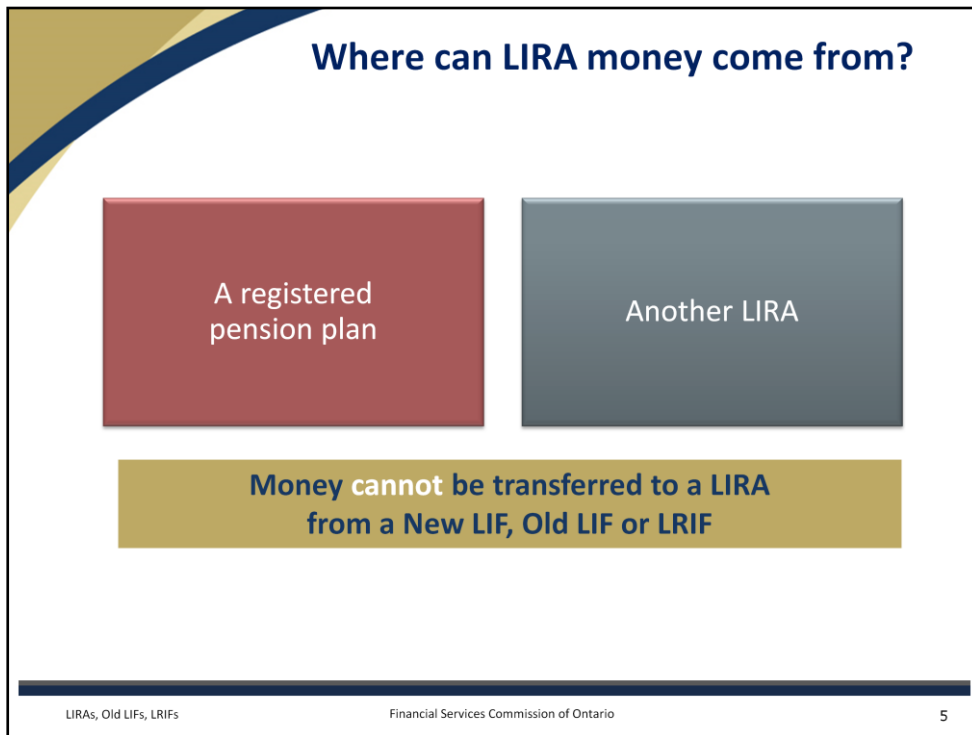
In general, you have portability rights and can buy a LIRA if you have terminated employment but not if you’ve been temporarily laid off or are on leave. If you are retiring, you only have portability rights if provided for in the plan. You also can buy a LIRA if you are a member of a multi-employer pension plan and you have terminated membership in the plan. And you can also buy a LIRA if your pension plan has been wound up.

You should also be able to buy a LIRA if you are the spouse or former spouse of a member of a pension plan and you are entitled to either a portion of your spouse or former spouse’s pension because your spousal relationship has ended.



If you reside or work in Ontario but your pension plan is federally regulated, you will not be able to buy an Ontario LIRA. This includes those who work for the federal government, or work in a federally-regulated industry, such as banks or airlines. You will not be able to buy an Ontario LIF if your benefits were earned in another province. If you are in a federally-regulated plan or employed in another province, you should ask your plan administrator about what options you might have.

You can buy a LIRA at any age before the end of the year in which you turn 71.



Money can be transferred into a LIRA from two sources:

- a registered pension plan, if you are entitled to portability, when you terminate employment, if you terminate plan membership from a MEPP, or your plan winds up or if you are entitled to a transfer on breakdown of a spousal relationship.
- another LIRA, as long as the transfer is made before the last day of the year in which you turn 71.

Money cannot be transferred to a LIRA from a New LIF, Old LIF or LRIF.

What can I do with my LIRA money?

- ❖ Invest in accordance with ITA
- ❖ Transfer to another registered arrangement
- ❖ Transfer to another Canadian jurisdiction only if in accordance with the Ontario PBA

Note:

- No transfers outside Canada
- Withdrawals in special circumstances



You can invest the money in your LIRA in any way that is allowed under the Income Tax Act. You can have a self-directed LIRA or the investment can be handled by your financial institution.

You can only make certain transfers from your LIRA:

- to the pension fund of a new employer, as long as the new employer agrees to accept it;
- to another LIRA;
- to a New LIF; or
- to buy a life annuity.

If you want to transfer the money in your Ontario LIRA to a financial institution elsewhere in Canada, that institution must agree in writing that they will administer the money according to Ontario law. That means if you move to Quebec and transfer your LIRA there, it will be governed by Ontario law and you will only have the Ontario options available to you.

You cannot transfer the money in your LIRA outside Canada because the requirement that the money be administered according to Ontario law cannot be enforced outside Canada.

You can apply to withdraw money from your LIRA under certain situations that are set out in the legislation, if you qualify. We will discuss this in greater detail later.

What happens to my LIRA if I die?

- ❖ Entitlement to spouse on the date of death
- ❖ Spouse may waive survivor entitlement
- ❖ Survivor benefit to your designated beneficiary or estate if:
 - no spouse
 - spouse has waived entitlement and not cancelled the waiver
 - living apart due to spousal breakdown at death
 - the money came from a former spouse's pension plan



If you have a spouse on the date of death, he or she is entitled to:

- a lump sum payment in cash, unlocked, equal to the value of your LIRA on the date of death, plus all accumulated investment earnings from the date of death to the date of payment; or
- transfer the money in your LIRA as of the date of death, plus all accumulated investment earnings from the date of death to the date of payment, to his or her RRSP or RRIF, assuming he or she meets the ITA requirements for such a transfer.

Your spouse may waive his or her survivor entitlement by delivering a written waiver on FSCO pension form 4.1, "Waiver of Survivor's Benefits from an Ontario Locked-In Account" to the financial institution. Your spouse may cancel his or her waiver by delivering a written cancellation to the financial institution before your death.

The survivor benefit will be paid to your designated beneficiary, or if there is no beneficiary, to your estate if:

- you have no spouse;
- your spouse has waived entitlement and has not cancelled the waiver;
- you or your spouse are living separate and apart at the time of your death due to a breakdown in your spousal relationship; or
- the money came from the pension plan of a former spouse due to the breakdown in that spousal relationship.

Information your financial institution must provide to you



- ❖ Previous fiscal year:
 - sums deposited
 - any accumulated investment earnings, including unrealized capital gains and losses
 - payments and withdrawals taken out of account
 - fees charged against account
- ❖ Beginning fiscal year:
 - must provide value of assets in account

At the beginning of each fiscal year, the financial institution must provide the LIRA owner with the following information:

For the previous fiscal year:

- the total sums deposited;
- any accumulated investment earnings, including any unrealized capital gains or losses;
- the total of payments made out of the account;
- the withdrawals taken out of the account; and
- the fees charged against the account.

The financial institution must also provide the value of the assets in the account as of the beginning of the upcoming fiscal year.

Other Information about LIRAs

- ❖ No income payments from a LIRA
- ❖ Before the end of the year in which you turn 71, you must use all the money in your LIRA to buy a LIF or a life annuity
- ❖ Cannot assign, charge, or give as security your LIRA
- ❖ Cannot be seized by creditors
- ❖ On breakdown of a spousal relationship, you and your spouse or former spouse may divide the money in your LIRA but no more than 50% of the money as of the family law valuation date can be assigned to the spouse
- ❖ Exception for orders for support



No payments of money from a LIRA are permitted, except for special circumstances.

At the end of the year in which you turn 71, the LIRA comes to an end. You will not be able to unlock the money in your LIRA at that time. You will have to use all the money in your LIRA to either buy a LIF or a life annuity.

You cannot assign your LIRA to someone else, charge or give as security the money in your LIRA except for breakdown of the spousal relationship or support orders.

Your LIRA cannot be seized by creditors but any money that is withdrawn from it may be seized.

If your spousal relationship comes to an end, you and your spouse or former spouse may divide the money in your LIRA in accordance with a court order, family law arbitration award or domestic contract. No more than 50% of the money in the LIRA as of the family law valuation date can be assigned to the spouse or former spouse.

The proceeds may be seized for settlement of orders for support.

Old LIFs and LRIFs

- ❖ **Since January 1, 2008, neither Old LIFs nor LRIFs can be sold or purchased in Ontario.**

- ❖ **If you have an Old LIF or LRIF, you can keep it, but...**
 - You cannot transfer any money into an existing Old LIF or LRIF
 - You can only transfer the money in your Old LIF or LRIF to a New LIF or use it to buy a life annuity
 - No unlocking under Old LIF or LRIF after April 30, 2012
 - No unlocking if transferring to a new LIF



Old LIFs and LRIFs are registered retirement income funds, or RRIFs, with special rules that preserve the money but allows you to be paid a certain amount from it each year.

Old LIFs were introduced in 1992 and LRIFs in 2000, but the rules governing them have changed since then.

Since January 1, 2008, neither Old LIFs nor LRIFs can be sold or purchased in Ontario.

If you have an Old LIF or LRIF, you can keep it but you cannot transfer any money into an existing Old LIF or LRIF.

You can only transfer the money in your Old LIF or LRIF to a New LIF or use it to buy a life annuity.

Questions on LIRAs

Q1. Do I need my spouse's consent to buy a LIRA?

- A) Spousal consent is not required
- B) Yes, without exception
- C) Yes, unless you're living separate and apart
- D) It depends where the money comes from
- E) None of the above



Answer to Q1 is A. Spousal consent is not required.

Questions on LIRAs

Q2. Can I cash in my LIRA when it ends at 71?

- A) You can cash in 50% at 71
- B) You cannot cash in any amount at 71
- C) You can cash in the entire amount at 71
- D) You cannot cash more than 10%
- E) None of the above



Answer to Q2 is B. You cannot cash in any amount at 71.

More Information

- ❖ For more information, please visit the FSCO website at www.fSCO.gov.on.ca
- ❖ For Q's and A's on locked-in accounts, see [FAQs on Rules for Ontario Locked-In Accounts](#)
- ❖ Call the FSCO call centre at 416-250-7250 or toll-free at 1-800-668-0128 or by email at ContactCentre@fSCO.gov.on.ca
- ❖ Rules for locked-in accounts are in the following schedules under the regulations:
 - Old LIFs – [schedule 1](#)
 - New LIFs – [schedule 1.1](#)
 - LRIFs – [schedule 2](#)
 - LIRAs – [schedule 3](#)

For more information, you can visit our FSCO website using the links provided here.

You may also call our FSCO contact centre at the number on the screen or send an e-mail to the address on the screen.

The rules which govern Ontario locked-in accounts can be found under four schedules in the regulations under the PBA:

- Old LIFs – schedule 1
- New LIFs – schedule 1.1
- LRIFs – schedule 2
- LIRAs – schedule 3

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LIRAs, Old LIFs, LRIFs Financial Services Commission of Ontario 14

This concludes this segment of our webcast.

Thank you for your interest and we hope you have found the presentation to be helpful. **To see another segment, please click on the link at the bottom of the screen.**

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