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FAQs for Financial Institutions

This page provides financial institutions with information relating to Old Life Income Funds (Old LIFs), new Life Income Funds (New LIFs) and Locked In Retirement Income Funds (LRIFs).

- [Old LIFs and New LIFs - Q1-Q12](#)
- [LRIFs - Q13-Q14](#)

Old LIFs and New LIFs

Q1. What information are financial institutions required to disclose to their Old LIF clients?

A1. Financial institutions were required to inform their Old LIF clients of the following on or before September 30, 2010:

- After December 31, 2010, Old LIF owners can no longer transfer money from an Old LIF to a LIRA.
- Between January 1, 2011 and April 30, 2012, owners of Old LIFs can make a one-time application to withdraw or transfer up to 50 per cent of the total market value of the assets they have in their Old LIFs. Applications for this withdrawal or transfer will not be accepted after April 30, 2012.
- On or after January 1, 2011, the maximum amount that may be paid from the Old LIF as income each year will be the greater of the amount under the LIF formula or the fund's investment earnings for the previous year.

Financial institutions are also required to include in their annual statements to their clients the amounts of any withdrawals that were taken out of the Old LIF in the previous year. - 05/10

Q2. Between January 1, 2011 and April 30, 2012, owners of Old LIFs may apply to withdraw or transfer up to 50 per cent of the total market value of the assets in the fund. How do we determine this amount?

A2. The total market value of the assets in the Old LIF is based on the amount in the most recent statement that was issued by the financial institution when the application was made. The statement must be dated within one year of the date the application was made. - 05/10

Q3. A client applied for withdrawal of an additional 25 per cent from his New LIF in January 2010 using FSCO pension Form 5.1.1. Section 8.1(1) under Schedule 1.1 under Regulation 909 provides that the 25 per cent is based on "the total market value of all assets transferred into the fund on or before December 31, 2009". How do we determine this amount?

A3. "The total market value of all the assets transferred into the fund on or before December 31, 2009" is the market value of the assets that were transferred in relation to each particular transfer, and is determined as of the date of the relevant transfer. You do not take into account any increase or decrease in the value of the New LIF after the money was transferred into it. - 05/10

Q4. In January 2010, a client transferred \$100,000 into her New LIF and applied to withdraw 50 per cent of the total market value of the transferred assets to her RRSP using FSCO pension Form 5.2. Section 8(2.1) under Schedule 1.1 under Regulation 909 provides that the 50 per cent is based on "the total market value of the assets transferred into the fund in relation to a transfer of assets made on or after January 1, 2010". How do we determine this amount?

A4. "The total market value of the assets transferred into the fund in relation to a transfer of assets made on or after January 1, 2010" is the amount that was transferred into her New LIF on the relevant transfer date. This amount should be available in your records. You do not take into account any increase or decrease in the value of the New LIF after the money was transferred into it. - 05/10

Q5. When money is transferred into a New LIF, does the financial institution that administers the New LIF need to be aware of the source of that money? Does the prior locked-in vehicle's original date of purchase need to be validated?

A5. The financial institution that administers the New LIF will have to determine what kind of locked-in vehicle (e.g., a pension plan, annuity, LIRA, Old LIF, New LIF or LRIF) the money was transferred from. This is because the 50 per cent withdrawal or transfer under the New LIF after January 1, 2010 only applies to money that comes from a pension plan, LIRA, Old LIF or LRIF. It does not apply to an annuity or an existing New LIF.

It is not necessary for the financial institution that is receiving the money, to know the date on which any prior locked-in vehicle was purchased by the owner. - 05/10

Q6. If money is transferred to a New LIF from another New LIF, Old LIF or LRIF, is the financial institution required to keep track of the investment income that is earned by the transferring fund for the fiscal year up to the date of the transfer?

A6. The financial institution that administers the New LIF that received the transferred funds must be aware of the investment returns that are attributable to the transferring fund's fiscal year, up to the date of transfer. This information is required so that the financial institution can calculate one of the possible maximum income payment amounts for the New LIF's next fiscal year.

For example, if money was transferred from an LRIF to a New LIF on December 1, 2008, and \$500 of investment income was earned in the LRIF's 2008 fiscal year prior to the transfer, the financial institution must ensure it determines and records the \$500. In addition, this amount must be used to calculate the maximum income amount that is payable from the New LIF in 2009. - 07/07

Q7. Can a financial institution simply convert an Old LIF into a New LIF? If not, will the New LIF require a new specimen plan number, or can the Old LIF's specimen number be used?

A7. A New LIF is a completely different type of locked-in account than an Old LIF, in the same way that an LRIF is a different type of locked-in account from a LIF. Effective January 1, 2008, financial institutions were permitted to offer two distinct types of Ontario LIFs – Old LIFs and New LIFs. If an owner of an Old LIF wants a New LIF, he/she must purchase a New LIF by transferring money from the Old LIF into a New LIF. The Old LIF cannot simply be converted into a New LIF.

However, on January 1, 2011, the rules for Old LIFs, LRIFs and New LIFs will become harmonized. All three funds are essentially the same, except that owners of Old LIFs and LRIFs

will have a one-time opportunity to withdraw or transfer up to 50 per cent of the money in their account. The rules for determining the maximum annual income payment from Old LIFs, LRIFs and New LIFs will be identical. The maximum income payment for all three funds will be the greater of the amount calculated under the LIF formula, or the fund's investment earnings from the previous year.

Specimen plan numbers appear to be an issue for the Canada Revenue Agency (CRA), but not for FSCO. You may wish to contact the CRA's Registered Plan Directorate at 1-800-267-3100 to discuss this question. - 09/10

Q8. If an individual merges two LIRA accounts from two different financial institutions into a New LIF, the funds are likely to be transferred into the New LIF at different times. Should the receiving financial institution determine the calculation for the 50 per cent withdrawal or transfer when each amount is received separately, or base it on the total amount when both are received? Is the individual entitled to a second 50 per cent withdrawal or transfer after the second transfer is made?

A8. The 50 per cent withdrawal or transfer applies to each individual transfer of money into the New LIF. Each time a sum of money is transferred into the New LIF from a LIRA, LRIF, Old LIF or pension plan, the New LIF owner has 60 days from the date of the transfer to apply to the financial institution to withdraw or transfer up to 50 per cent of the amount that was transferred into the New LIF. For each withdrawal or transfer, a separate application has to be made. - 05/10

Q9. If an individual wants to transfer in-kind securities from a locked-in account (other than a New LIF) into a New LIF, and the securities are received by the New LIF on different days, on what date can the individual apply for the 50 per cent withdrawal or transfer?

A9. If an individual makes a single transfer of funds which are invested in securities into a New LIF, the assets related to that transaction may be deposited into the New LIF on different dates. This is because those assets are being transferred in-kind from other locked-in accounts. The date of transfer for the 50 per cent withdrawal or transfer application is based on the last date on which any of those assets are actually transferred into the New LIF. The individual has 60 days from that date to make his or her application.

In such a case, the financial institution that administers the New LIF must inform the individual prior to making the transfer that he/she will only be able to apply for the 50 per cent withdrawal or transfer after the last deposit of assets has been received by the financial institution. The financial institution also needs to advise the owner once the transfer has been completed. - 05/10

Q10. If a client applies for a 50 per cent withdrawal or transfer from his/her New LIF, when is the financial institution required to pay or transfer the money?

A10. The financial institution is required to make the payment or transfer within 30 days of receiving the completed application form and accompanying documents from the owner of the New LIF. - 05/10

Q11. How are investment returns in a particular year calculated if there has been a 50 per cent withdrawal or transfer from a LIF?

A11. Follow the steps below to easily calculate investment returns that are attributable to a particular fiscal year for a LIF:

1. Take the balance in the LIF at the end of the fiscal year.
2. Subtract the balance in the LIF at the start of the fiscal year.
3. Add the value of any money that was withdrawn or transferred out of the LIF anytime during the fiscal year (e.g., income payments to the client, transfers of money to other accounts, unlocking application amounts that were moved out, etc.).
4. Subtract the value of any new money that was deposited into the account anytime during the fiscal year (e.g., amounts transferred into the account from other accounts, etc.).

Example:

On January 1st the balance in the New LIF was \$50,000 and on December 31st of the same year the balance in the New LIF was \$60,000. The owner received a \$5,000 payment from the New LIF during the year as his annual income payment. That year, he also transferred \$3,000 from a LIRA into his New LIF, and withdrew 50 per cent of that amount (\$1,150).

To calculate this client's investment return for the year, you would do the following:

- \$60,000 (balance on December 31)
- **Minus** \$50,000 (balance on January 1);
- **Plus** \$6,150 (\$5,000 income payment and \$1,150 unlocked amount that was withdrawn);

- **Minus** \$3,000 (transfer received from LIRA);
- **Equals** \$13,150 (the investment income).

Therefore the client's investment return for the year was \$13,500. - 05/10

Q12. If a client with an Old LIF wants to use this money to purchase a New LIF, does the financial institution have to pay out the minimum annual income amount from the Old LIF? Does it also need to set the maximum income payment amount for the New LIF to zero?

A12. If money is transferred from an Old LIF to a New LIF, any minimum amount that is required to be paid out of the Old LIF under the federal Income Tax Act must be paid out of the Old LIF before the end of its fiscal year. No money can be paid out of the New LIF during the fiscal year when the transfer occurred. - 07/07

LRIFs

Q13. What information are financial institutions required to disclose to their LRIF clients?

A13. Financial institutions must inform LRIF owners of the following ***at the beginning of the fiscal year of the fund that ends on December 31, 2010:***

- They will not be able to receive payments for all or part of any unused income payment amounts that were carried forward from a previous year.
- As of January 1, 2011, LRIF owners who choose to be paid less than the maximum annual income amounts will not be able to carry forward the difference and add it to their maximum income payment amounts for future years.

Financial institutions must inform LRIF owners of the following ***on or before September 30, 2010:***

- After December 31, 2010, they can no longer transfer assets from an LRIF to a LIRA.
- Between January 1, 2011 and April 30, 2012, they may make a one-time application to withdraw or transfer up to 50 per cent of the total market value of the assets that are in their LRIF fund(s). Applications for this withdrawal or transfer will not be accepted after April 30, 2012.


- On or after January 1, 2011, the maximum amount that may be paid from the LRIF as income each year will be the greater of the amount under the LIF formula or the fund's investment earnings from the previous year.

Financial institutions are also required to include in their clients' annual statements the amounts of any withdrawals that were taken out of the fund in the previous year. - 05/10

Q14. Between January 1, 2011 and April 30, 2012, owners of LRIFs may apply to withdraw or transfer up to 50 per cent of the total market value of the assets in the fund. How do we determine this amount?

A14. The total market value of the assets in the fund is based on the amount in the most recent statement that was issued by the financial institution at the time of the application. The statement must be dated within one year of the date the application was made. - 05/10

More information:

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[FSCO Policies on Locked In Accounts](#)

[FAQs on Rules for Ontario Locked-In Accounts](#)