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# Locked-in accounts

2024 reference guide



When you retire or terminate employment with your employer, you may have the option to transfer the proceeds from your Registered Pension Plan (RPP) into a personal “locked-in” registered retirement savings plan (RRSP). If governed under Alberta pension legislation, this would be a transfer to a Locked-In Retirement Account (LIRA). The transfer of the money from the pension plan to a LIRA does not change the fact that the pension plan was set up to provide you (and your spouse or common-law partner, if applicable) with lifetime retirement income. As a result, the money transferred must be used for this purpose. If you have an Alberta LIRA and are at least 50 years old, you can initiate annual retirement income with either the purchase of a life annuity or a transfer to a locked-in Life Income Fund (LIF).

Locked-in accounts (LIRAs and LIFs) are similar to their more well known “cousins,” the RRSP and Registered Retirement Income Fund (RRIF). However, in addition to being subject to rules governed by the Canadian Income Tax Act (ITA), LIRAs and LIFs are also subject to additional rules governed by the applicable provincial or federal pension jurisdiction. Generally, these additional rules are intended to ensure lifetime retirement income is available for both the original pension plan member and the member’s spouse or common-law partner, since those were the intentions of the original pension plan. In this guide, unless otherwise specified, we are referring to locked-in accounts that are governed by Alberta pension legislation.

# Table of contents

LIRAs	1
LIFs	2
Minimum and maximum withdrawal amounts	3
Taxation and withholding tax	5
Qualified investments	6
Jurisdiction applied to locked-in accounts	7
Pension partner and spousal waiver forms	8
Unlocking options	10
Locked-in accounts at death	13
Additional LIRA & LIF questions	17
Appendix	19



# LIRAs

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A LIRA is the locked-in version of an RRSP. More specifically, it is an RRSP that is set up to hold funds that have been transferred tax-deferred from an RPP. A LIRA account has an addendum included as part of the contract which contains additional rules limiting the access to these funds and includes spousal protections. There is no minimum age for establishing a LIRA. Similar to an RRSP, the investments in your LIRA increase in value on a tax-deferred basis. However, unlike an RRSP there is no ability to make withdrawals from a LIRA.

In Alberta, any time after age 50, the proceeds can be transferred to a LIF, and retirement income is initiated from the LIF account. In other jurisdictions, this option is not available until age 55. In all jurisdictions, the proceeds in a LIRA must be transferred to a LIF or life annuity by the end of the year the LIRA holder turns age 71. This ensures retirement income is initiated no later than age 72.

Although LIRA is the term for an Alberta regulated locked-in plan, there are similar plans in other jurisdictions including Locked-in Retirement Savings Plans (LRSPs) and Restricted Locked-in Savings Plan (RLSPs).



# LIFs

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A LIF is the locked-in version of a RRIF and, similar to a RRIF, provides the account holder with income in retirement. More specifically, a LIF is a RRIF that as part of the contract has an addendum to it that includes additional rules regarding withdrawals and spousal protections. Unlike a RRIF, which only has regulated minimum withdrawal amounts, a LIF is also subject to maximum withdrawal amounts. Since these funds originated from a pension plan and were meant to provide the pension plan member with a lifetime retirement income, pension legislation imposes a maximum amount on the withdrawal each year to ensure the proceeds cannot be spent before a certain age. Generally the maximum withdrawal percentage ensures that there is ongoing income to at least age 90.

When a LIF is established, you can elect to have the minimum withdrawal amount based on your spouse or common-law partner's age, however, the maximum amount can only be based on the age of the LIF holder. Generally, it is recommended that the younger spouse or common-law partner's age be used to provide for greater flexibility in the annual LIF withdrawal amounts.

Although LIF is the term for an Alberta regulated locked-in plan, similar plans in other jurisdictions include Locked-in Retirement Income Funds (LRIFs), Restricted Life Income Funds (RLIFs) and Prescribed RRIFs (PRIFs).

The schedule for the 2024 minimum and maximum withdrawal amounts are provided below:

**RRIF, LIF, RLIF & LRIF minimum and maximum withdrawal amounts**

Fair market value of RRIF/LIF/RLIF/LRIF on December 31, 2023 multiplied by percentages below:

Age at beginning of 2024	Minimum withdrawal % <sup>1</sup>	Maximum withdrawal % <sup>1</sup>		
		AB <sup>2</sup> , BC <sup>2</sup> , NB, NL <sup>2</sup> , ON <sup>2</sup> & SK <sup>3</sup>	MB <sup>2,4</sup> , NS, & QC	Federal (PBSA)
50	2.50%	6.27%	6.10%	4.95%
51	2.56%	6.31%	6.10%	4.98%
52	2.63%	6.35%	6.10%	5.02%
53	2.70%	6.40%	6.10%	5.07%
54	2.78%	6.45%	6.10%	5.11%
55	2.86%	6.51%	6.40%	5.16%
56	2.94%	6.57%	6.50%	5.22%
57	3.03%	6.63%	6.50%	5.27%
58	3.13%	6.70%	6.60%	5.34%
59	3.23%	6.77%	6.70%	5.41%
60	3.33%	6.85%	6.70%	5.48%
61	3.45%	6.94%	6.80%	5.56%
62	3.57%	7.04%	6.90%	5.65%
63	3.70%	7.14%	7.00%	5.75%
64	3.85%	7.26%	7.10%	5.86%
65	4.00%	7.38%	7.20%	5.98%
66	4.17%	7.52%	7.30%	6.11%
67	4.35%	7.67%	7.40%	6.25%
68	4.55%	7.83%	7.60%	6.41%
69	4.76%	8.02%	7.70%	6.60%
70	5.00%	8.22%	7.90%	6.80%
71	5.28%	8.45%	8.10%	7.03%

Age at beginning of 2024	Minimum withdrawal % <sup>1</sup>	Maximum withdrawal % <sup>1</sup>		
		AB <sup>2</sup> , BC <sup>2</sup> , NB, NL <sup>2</sup> , ON <sup>2</sup> & SK <sup>3</sup>	MB <sup>2, 4</sup> , NS, & QC	Federal (PBSA)
72	5.40%	8.71%	8.30%	7.29%
73	5.53%	9.00%	8.50%	7.59%
74	5.67%	9.34%	8.80%	7.93%
75	5.82%	9.71%	9.10%	8.33%
76	5.98%	10.15%	9.40%	8.79%
77	6.17%	10.66%	9.80%	9.32%
78	6.36%	11.25%	10.30%	9.94%
79	6.58%	11.96%	10.80%	10.68%
80	6.82%	12.82%	11.50%	11.57%
81	7.08%	13.87%	12.10%	12.65%
82	7.38%	15.19%	12.90%	14.01%
83	7.71%	16.90%	13.80%	15.75%
84	8.08%	19.19%	14.80%	18.09%
85	8.51%	22.40%	16.00%	21.36%
86	8.99%	27.23%	17.30%	26.26%
87	9.55%	35.29%	18.90%	34.45%
88	10.21%	51.46%	20.00%	50.83%
89	10.99%	100.00%	20.00%	100.00%
90	11.92%	100.00%	20.00%	100.00%
91	13.06%	100.00%	20.00%	100.00%
92	14.49%	100.00%	20.00%	100.00%
93	16.34%	100.00%	20.00%	100.00%
94	18.79%	100.00%	20.00%	100.00%
95 & older	20.00%	100.00%	20.00%	100.00%

<sup>1</sup>Prior to receiving any payments, the annuitant may elect to use the age of their spouse when calculating the minimum payment amount.

<sup>2</sup>The maximum LIF/RLIF payment for AB, BC, MB, NL & ON is the greater of the investment gains in the previous year or the % indicated above.

<sup>3</sup>Withdrawal rate for existing SK LIFs & LRIFs only, as these are no longer available. SK locked-in assets are now transferred to a prescribed RRIF which has no maximum limit on withdrawals.

<sup>4</sup>Manitoba permits 100% unlocking after reaching age 65.





# Taxation and withholding tax

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Although the full value of your LIF withdrawal is taxable, your financial institution will only apply withholding tax on the amount of your withdrawal that is above the minimum annual payment. The financial institution will remit this tax to the CRA on your behalf, thus decreasing the amount of tax payable at the end of the year. The amounts that are withheld are as follows:

- 10% for amounts up to and including \$5,000
- 20% for amounts over \$5,000 and up to \$15,000
- 30% for amounts over \$15,000

To assist with your tax reporting, the financial institution will issue a T4RIF to the LIF holder each year which will summarize the LIF income received in the previous year and any withholding tax submitted. There is no minimum payment in the year of establishing the LIF as the minimum payments begin in the following year. As a result, withholding tax would be applied to the full amount of a withdrawal made during the year you convert your LIRA to a LIF.

# Qualified investments

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There are a variety of investment options to consider once funds have been transferred to your LIRA or LIF. You can hold the same investments in a locked-in account that you can hold in an RRSP or RRIF.

Qualifying investments include:



Cash



Mutual funds



Guaranteed Investment  
Certificates (GICs)



Bonds



Certain shares of small  
business corporations



Securities listed on a designated  
stock exchange in Canada  
or internationally:

- Exchange-traded funds (ETFs)
- Stocks

The rules for investments that are not publicly traded are complex. Should you be considering such an investment, please consult your tax advisor.

Although foreign securities listed on a designated exchange are qualifying investments, dividends paid on those shares may be subject to foreign withholding tax, with no tax relief available. Tax treaties with certain countries, including the US, provide that Canadian registered retirement accounts, including LIRAs and LIFs are exempt from foreign withholding tax.

Ultimately, the investments you choose to hold in your LIRA or LIF should reflect your specific situation, risk tolerance and time horizon. Your ATB Wealth advisor will ensure your locked-in investment choices are in line with your personal objectives.



# Jurisdiction applied to locked-in accounts

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Each pension jurisdiction has a different set of rules that apply to the locked-in accounts that their legislation governs. These rules specify the age when you can initiate income from the locked-in account, the rights a spouse, common-law partner or pension partner has to the locked-in proceeds and the opportunities that may be available for you to transfer the assets out of the locked-in plan. The jurisdiction of your locked-in account will depend on the jurisdiction of the original pension (federal or provincial). For provincially regulated pension plans, the jurisdiction of the resulting locked-in account is generally based on the province where you worked, even if the pension plan itself is registered in another province. If you have a federal pension, the jurisdiction of the resulting locked-in account will always be based on federal legislation.

Alberta pension legislation tends to be more flexible than many of the other jurisdictions.



# Pension partner and spousal waiver forms

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The funds in your locked-in account originated from an employer-sponsored pension plan which was established with the intent of providing lifetime retirement income for both you and your spouse or common-law partner. As a result, when certain changes are made to these proceeds, your spouse or common-law partner, or more specifically, “pension partner” has to sign a waiver form to permit these changes or waive their right to certain benefits.

We are familiar with the terms spouse and common-law partner, which are generally used in reference to rules for investment accounts that are governed by the ITA. However, when those accounts are also governed under pension legislation, there are other terms applied. The Alberta Employment Pension Plans Act (EPPA) uses the term pension partner. Persons are considered pension partners if they:

- a. are married to each other, and have not been living separate and apart from each other for a continuous period longer than 3 years;
- b. if clause (a) does not apply, they have been living with each other in a marriage-like relationship
  - i. for a continuous period of at least 3 years preceding the date, or
  - ii. of some permanence, if there is a child of the relationship by birth or adoption.

The following are the most common situations when a pension partner would be required to submit a spousal waiver form:

#### **Transfer from LIRA to LIF**

A spousal waiver form is required at the point in time when assets are transferred from a LIRA to a LIF. If the proceeds were to remain in the LIRA they could eventually be transferred to a life annuity that would provide guaranteed lifetime income payments for the member and the pension partner. Once transferred to a LIF, the proceeds can be depleted more quickly. As a result, if there is an individual who is a pension partner at the time of the transfer, that individual must sign a waiver form to allow this transfer to happen. Similarly, a spousal waiver form is required if a LIF is established directly from an RPP.

#### **Unlocking**

A specific spousal waiver form is required by the pension partner in certain situations when the locked-in account holder elects to unlock proceeds in the account. Unlocking is the process of transferring the assets out of the locked-in umbrella and removes the pension rules that apply. Circumstances under which unlocking may be permitted are discussed in more detail later in the next section of this guide. A spousal waiver form is required when unlocking occurs as a result of: shortened life expectancy, non-residency or 50% unlocking. The application for unlocking due to financial hardship would also require the signature of your pension partner.

#### **Someone other than the pension partner to receive death benefits of a LIRA**

If someone other than the person who is the pension partner at the time of death is to receive the proceeds following the death of the LIRA holder, that pension partner would have had to have signed a waiver form to waive their entitlement to the LIRA's death benefit.

#### **Someone other than the pension partner to receive death benefits of a LIF**

A different waiver form is required once the proceeds are in a LIF. If someone other than the person who is the pension partner at the time of death is to receive the proceeds on the death of the LIF holder, that pension partner would have had to have signed the applicable waiver form.

Each spousal waiver form only waives the specific entitlement of that particular form. Signing any spousal waiver form does not affect any rights or entitlements that the pension partner could have as a result of any breakdown in the relationship between the locked-in account holder and the pension partner.



# Unlocking options

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Despite the long-term intentions of a locked-in account, there are five specific situations where the account holder may be eligible to unlock their funds prematurely.

Locked-in assets are both registered and tax-deferred under the ITA and subject to applicable pension legislation to protect spousal rights and lifetime guaranteed income. When assets are unlocked, they can still be registered under the ITA, but would no longer be subject to pension legislation. When pension assets are unlocked, the funds can generally remain tax-deferred with a transfer to an RRSP or RRIF, or withdrawn as taxable cash.

The EPPA and Alberta Employment Pension Plans Regulation provide for five specific circumstances when funds in a locked-in account can be unlocked:

## 1. Considerably shortened life expectancy

If you have a terminal illness or a disability that will shorten your life, you may be able to unlock your locked-in assets. Your pension partner would have to sign the applicable waiver form and your doctor must write a letter that states you are expected to have a considerably shortened life. The letter does not need to state the type of illness or disability nor how long you will live. Provide the waiver and doctor's letter to the financial institution that holds your locked-in account.

## 2. Becoming a non-resident of Canada

If the Canada Revenue Agency (CRA) determines that you are a non-resident of Canada for tax purposes, and confirms this in writing, then you may unlock your LIRA or LIF. You can apply by completing [CRA Form NR-73, Determination of Residency Status](#) and CRA will send you a letter providing an opinion on your residency status. To unlock your locked-in accounts, you must provide your financial institution a copy of the CRA letter, and the applicable waiver form signed by your pension partner.

### 3. Access to small amounts

Sometimes the money in a LIRA or LIF is considered too small to provide a long-term pension. This small amount may be unlocked if you meet the threshold that is based on your age and the Year's Maximum Pensionable Earnings (YMPE). The YMPE is set each year by the Government of Canada. For 2024:

- If you are under age 65 and the amount in any single locked-in account is less than \$13,700 on the day you ask for the withdrawal, the account can be unlocked (less than 20% of the YMPE).
- If you are age 65 or older and the amount in any single locked-in account is less than \$27,400 on the day you ask for the withdrawal, the account can be unlocked (less than 40% of the YMPE).

If your locked-in account is below the threshold, you can apply through the financial institution to unlock the account. There is no pension partner waiver required as the amount is too small to provide a lifetime retirement income.

### 4. 50% unlocking

If you are aged 50 or older, Alberta pension legislation permits you to unlock up to 50% of the funds in your LIRA prior to transferring the remainder of the funds to a LIF. Your pension partner would have to sign the applicable waiver form. The money is unlocked by the financial institution that holds your LIRA.

This is a "one time only" choice. Although you may unlock less than 50% of the account, you are not allowed to unlock again at a later date. For example, if you choose to unlock only 30% of your locked-in funds, you cannot later unlock another 20%. The money is unlocked because you have chosen to start receiving an income. You cannot transfer the money back to a LIRA after funds have been transferred to a LIF.

After unlocking the 50%, you may unlock the rest of the account if the funds left are less than the small amount threshold (see above). Because you are essentially able to unlock the entire account, the funds do not have to be transferred to a LIF first.

### 5. Financial hardship

If you find yourself in one of the following five situations of financial hardship, you may be eligible to unlock money in your LIRA or LIF. You apply to the financial institution that holds your account to unlock the money. You may apply for each of these reasons only once per account in a calendar year.

- **Low income** - In 2024, if your income for the next 12 months will be less than \$45,667, you may be eligible to unlock up to \$34,250.
- **Foreclosure** - You or your pension partner have received a letter threatening foreclosure on a debt secured against your main home. The most you can unlock is the overdue amount owing including legal fees.

- **Eviction for rent arrears** - You or your pension partner are being evicted from your main home because you owe rent. The most you can unlock is the amount of unpaid rent.
- **First month's rent & security deposit** - You or your pension partner need the first month's rent and security deposit on a new home you will be moving into.
- **Medical costs & renovation** - You, your pension partner or dependants, in the past and/or next 12 months have medical expenses not covered by a medical plan or any other source, and/or you have or will be making alterations to your main home due to the illness or disability of you, your pension partner or dependant. The most you can unlock is the expense you have paid or will pay in the past or next 12 months.

Additional details and the application form are available on the Alberta Government website, [Summary of financial hardship unlocking: general program and process.](#)

Locked-in accounts governed by other jurisdictions have different rules for unlocking. Federally regulated accounts do not permit 50% unlocking until age 55 and British Columbia does not even allow for 50% unlocking. Alternatively, Saskatchewan has an option for those 55 or older to transfer locked-in proceeds to a Prescribed RRIF (PRIF) which permits for the withdrawal of all the locked-in proceeds at any time. As a result, when trying to determine what unlocking options may be available for the funds in your LIRA or LIF, you must determine the correct jurisdiction and applicable rules that apply to your specific locked-in account.





## Locked-in accounts at death

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There are spousal priority rules that apply to the proceeds of your locked-in accounts on your death. Generally speaking, if you have a spouse or common-law partner at the time of your death, the proceeds of your LIRA or LIF must be paid to that spouse or common-law partner unless a spousal waiver form has been signed. In other words, if you wish to name someone other than your spouse or common-law partner as beneficiary of your locked-in account, your spouse or common-law partner must sign a specific spousal waiver form to allow this to happen. If the waiver form has not been signed or has been subsequently revoked, the proceeds are payable to the spouse or common-law partner, regardless of who you have named as beneficiary.

That being said, different rules apply if the owner of the locked-in account received the proceeds as a result of divorce or death of the original pension plan member.

Again, different pension legislations have different rules. If you have a federally regulated LIRA or LIF, there is no ability for a spouse or common-law partner to waive rights to death benefits. If you have a spouse or common-law partner at the time of your death, the proceeds of your federal locked-in account must be paid to the spouse or common-law partner.

# LIRA at death

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The treatment of an Alberta LIRA at death depends on if the LIRA holder was the “member owner” (original pension plan member), or if the LIRA holder is considered a “pension partner owner” (the former spouse or common-law partner of a previous member owner). When the owner of a LIRA dies, death benefits are paid as follows:

**1. If the owner is a member owner:**

- a. If there is a pension partner on the date of death, that pension partner opens a LIRA, LIF or life annuity and the money is transferred, tax-deferred. The pension partner becomes a pension partner owner of the new LIRA or LIF account;
- b. If there is no pension partner OR the pension partner has signed the applicable waiver form, the named beneficiary receives the balance of the LIRA as a cash lump sum payment. A pension partner cannot be a named beneficiary (i.e. the LIRA proceeds have to stay locked-in for a spouse or common-law partner); or
- c. If there is no named beneficiary, the estate of the owner receives the balance of the LIRA as a cash lump sum payment.

**2. If the owner is a pension partner owner:**

The named beneficiary or the estate receives the balance of the LIRA as a cash lump sum payment. The named beneficiary can be a spouse or common-law partner. If proceeds are payable to a spouse or common-law partner, or other qualified beneficiary, a tax-deferred transfer is available.

If proceeds are transferred from the deceased’s LIRA to a LIF or life annuity of the surviving spouse or common-law partner, the surviving spouse or common-law partner has the option to unlock 50% with a transfer of the unlocked 50% to an RRSP/RRIF or taxable cash.

# LIF at death

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The treatment of a LIF at death depends on if the LIF holder was the “member owner” (original pension plan member), or if the LIF holder is considered a “pension partner owner” (the former spouse or common-law partner of a previous member owner). When the owner of a LIF dies, death benefits are paid as follows:

**1. If the owner is a member owner:**

- a. If there is a pension partner on the date of death, as a transfer to a RRIF or RRSP (depending on age of pension partner) or a taxable cash payment to the pension partner. The proceeds can stay tax-deferred, but do not have to stay locked-in;
- b. If there is no pension partner OR the pension partner has signed the applicable waiver form, the named beneficiary or estate receives a cash lump sum payment.

**2. If the owner is a pension partner owner:**

The named beneficiary or estate receives a cash lump sum payment. The named beneficiary can be a spouse or common-law partner. If proceeds are payable to a spouse or common-law partner, or other qualified beneficiary, a tax-deferred transfer is available.

The options available may depend on the jurisdiction of the locked-in account. Alberta and B.C. LIFs can be unlocked and transferred tax-deferred to a spouse or common-law partner’s RRSP or RRIF, however, when transferring a federal LIF to a spouse or common-law partner at death the proceeds have to remain locked-in and transferred to a LIRA or LIF.



# Taxation of LIRA and LIF at death

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As LIRAs and LIFs are essentially the locked-in versions of RRSPs and RRIFs, the taxation that applies at death is similar.

When the LIRA/LIF holder passes away, the full value of the account will generally be included in the deceased's income in the year of death. The resulting tax bill, in many cases, will be over 40% of the LIRA/LIF assets. A transfer of the value at death to a "qualifying beneficiary" can shift the tax liability to the qualifying beneficiary, and in some cases, defer the tax, with the most common scenario being a tax-deferred transfer to a spouse or common-law partner. Other qualifying beneficiaries include financially dependent children or grandchildren.

Details regarding taxation and reporting at death [can be found in the Appendix](#) at the end of this document.



# Additional LIRA & LIF questions



Can I access proceeds in my LIRA or LIF for the purchase of a home under the Home Buyers' Plan (HBP) or for education purposes through the Lifelong Learning Plan (LLP)?

Locked-in funds are not eligible for withdrawal under the HBP or the LLP.



Can I use the assets in my LIRA or LIF as collateral for a loan?

Locked-in funds cannot be assigned or used as collateral.



Are the assets in my locked-in account protected from creditors?

Similar to the protection afforded to RRSPs & RRIFs, the assets in your LIRA or LIF are generally protected from creditors. The funds may be seized or attached under a maintenance enforcement order or by Canada Revenue Agency, however. Where creditor protection is of concern, individuals should consult with a qualified legal advisor regarding this matter.



### How are proceeds in a LIRA or LIF split upon divorce or relationship breakdown?

The matrimonial property order or agreement will state the percentage or amount of the locked-in account to transfer to the former spouse or common-law partner. The amount cannot exceed 50%.

- If the proceeds are in a LIRA, they can be transferred to a LIRA, LIF or life annuity of the former spouse. If the proceeds of a LIRA are being transferred to a LIF or life annuity, the former spouse or common-law partner has the ability to unlock 50% of their share before the transfer.
- If the proceeds are in a LIF, they must be transferred to a LIF or life annuity of the former spouse or common-law partner.

The transfer is done on a tax-deferred basis using CRA form T2220 Transfer from an RRSP, RRIF, PRPP, or SPP on Breakdown of marriage or common-law partnership. This is the same form that is used for the transfer of non-locked-in RRSPs and RRIFs upon relationship breakdown.



### Would payments from a LIF qualify for pension income splitting and the pension income credit?

Pension income splitting can be a smart way to transfer income from a higher earning spouse or common-law partner to a spouse or common-law partner that is in a lower tax bracket. Pension income splitting is available for up to 50% of an individual's "eligible pension income." LIF income received after age 65 qualifies as eligible pension income. To take advantage of this opportunity, both individuals must jointly elect to split their eligible pension income when they are completing their personal income tax return each year. If you are 65 or older and have eligible pension income, you will qualify for the pension income credit which provides a non-refundable tax credit for up to \$2,000 of your total eligible pension income.

Although LIRAs and LIFs are similar to their cousins the RRSP and RRIF, there are a significant amount of differences that need to be understood, specific to the pension legislation that applies to your account. An ATB Wealth advisor can help you understand the details of your locked-in investments.



# Appendix

Tax reporting LIRA/LIF at death

# Spouse or common-law partner as beneficiary

Your LIRA/LIF in most cases will be transferred on a tax-deferred basis to your spouse or common-law partner at death. This opportunity is also available if the estate is named the beneficiary of the LIRA/LIF and the spouse or common-law partner is named beneficiary of the estate through the deceased's will. Although these designations may seem similar, there are important differences and distinctions to be aware of:

## LIRA tax-deferred transfer to spouse or common-law partner

	<p><b>Member owner:</b> Proceeds transferred on death to LIRA/LIF of pension partner, or</p> <p><b>Pension partner owner:</b> spouse or common-law partner named as beneficiary in LIRA contract &amp; entire value transferred to spouse's or common-law partner's RRSP/RRIF</p>	<p><b>Pension partner owner:</b> spouse or common-law partner named as beneficiary in LIRA contract &amp; less than entire value transferred to spouse or common-law partner's RRSP/RRIF</p>	<p><b>Pension partner owner:</b> Estate named as beneficiary in LIRA contract and spouse or common-law partner named as beneficiary in will</p>
<b>General rules</b>	<p>If a spouse or common-law partner is named as the pension partner or sole beneficiary of the LIRA, the value of the LIRA at death and the income earned from the date of death to December 31 of the year after the year of death can qualify as a "refund of premiums." A refund of premiums is not taxable to the deceased, rather it is taxable to the surviving spouse or common-law partner, who can transfer</p>	<p>When the spouse or common-law partner is the sole beneficiary of the LIRA but the full amount is not transferred to an RRSP/RRIF, the tax-deferred rollover is still available, but the process and tax reporting is not as simple. Initially, the value of the LIRA at death is considered taxable income of the deceased and the income from the LIRA after death to December 31 of the year</p>	<p>When the estate is the beneficiary of the LIRA and the spouse or common-law partner is a beneficiary of the estate, the tax-deferred rollover is still available, but the process and tax reporting is more complicated. Initially, the value of the LIRA at death is considered taxable income of the deceased and the income from the LIRA after death to December 31 of the year following the year of</p>



**General rules (continued)**

this amount directly to a LIRA/LIF (member owner) or RRSP/RRIF (pension partner owner) and claim a deduction equal to the amount of the refund of premiums. As a result, the value of the LIRA can continue to grow tax-deferred.

The transfer must take place in the year the refund of premiums is received or within 60 days after the end of the year.

following the year of death is taxable income of the spouse or common-law partner.

The deceased's income can then be reduced by an amount that is designated by the personal representative as a refund of premiums. The spouse or common-law partner includes this amount in their taxable income.

The refund of premiums cannot be more than the combined value of the LIRA at the date of death and the income earned from the day after death to December 31 of the year after the year of death.

If the spouse or common-law partner transfers the refund of premiums to their own RRSP or RRIF in the year the refund of premiums is received, or within 60 days after the end of that year, the amount can be deducted from the spouse or common-law partner's income resulting in a tax-deferred transfer.

death is taxable income to the estate.

The deceased's personal representative and the spouse or common-law partner would jointly file Form T2019, "Death of an RRSP Annuitant – Refund of Premiums," to designate all or part of the amounts paid to the estate as a "refund of premiums." The deceased's income can then be reduced by that amount and the spouse or common-law partner includes the amount in their taxable income.

The refund of premiums cannot be more than the combined value of the LIRA at the date of death and the income earned in the LIRA from the day after death to December 31 of the year after the year of death.

If the spouse or common-law partner transfers the refund of premiums to their own RRSP or RRIF in the year the refund of premiums is received, or within 60 days after the end of that year, the amount can be deducted from the spouse's or common-law partner's income resulting in a tax-deferred transfer.

**Tax reporting at death**

The spouse or common-law partner will receive a T4RSP slip. The total LIRA value received will

The value of the LIRA as of the date of death is reported on a T4RSP slip issued to the deceased in

The value of the LIRA as of the date of death is reported on a T4RSP slip issued to the deceased in

**Tax reporting at death (continued)**

be indicated in Box 18 "Refund of Premiums." The beneficiary spouse or common-law partner will include this amount as income on line 12900 of their tax return.

A 60(l) contribution receipt will be issued for the amount transferred to LIRA/LIF or RRSP/RRIF. If transferred to a LIF/RRIF, deduct the amount on line 23200. If transferred to an LIRA/RRSP, deduct the amount on line 20800. Report the amount as a transfer on Schedule 7.

Box 34 "Amounts deemed received on death."

The income earned from the day after death to December 31 of the year after the year of death will be reported in box 18 of a T4RSP issued to the spouse or common-law partner.

The deceased's income can be reduced by the refund of premiums amount as elected by the personal representative. The spouse or common-law partner will include this amount as income on line 12900 of their tax return. A 60(l) contribution receipt will be issued for the amount transferred to RRSP or RRIF. If transferred to a RRIF, deduct the amount on line 23200. If transferred to an RRSP, deduct the amount on line 20800. Report the amount as a transfer on Schedule 7.

Box 34 "Amounts deemed received on death."

The income earned from the day after death to December 31 of the year after the year of death will be reported in box 28 of a T4RSP issued to the estate.

The deceased's personal representative and the spouse or common-law partner jointly file Form T2019, "Death of an RRSP Annuitant – Refund of Premiums," to designate all or part of the amounts paid to the estate as a refund of premiums. A copy of the T2019 must be submitted with the tax returns of both the deceased and the spouse or common-law partner.

The deceased's income is reduced by the refund of premiums amount. The spouse or common-law partner will include this amount as income on line 12900 of their tax return. A 60(l) contribution receipt will be issued for the amount transferred to an RRSP or RRIF. If transferred to a RRIF, deduct the amount on line 23200. If transferred to an RRSP, deduct the amount on line 20800. Report the amount as a transfer on Schedule 7.

## LIF tax-deferred transfer to spouse or common-law partner

	Spouse or common-law partner named as beneficiary in LIF contract & entire value transferred to spouse or common-law partner's RRSP/RRIF	Spouse or common-law partner named as beneficiary in LIF contract & less than entire value transferred to spouse or common-law partner's RRSP/RRIF	Estate named as beneficiary in LIF contract and spouse or common-law partner named as beneficiary in will
<b>General rules</b>	<p>If a spouse or common-law partner is named as the sole beneficiary of the LIF, the value of the LIF at death and the income earned from the date of death to December 31 of the year after the year of death is considered a "designated benefit."</p> <p>A designated benefit is taxable to the surviving spouse or common-law partner, who can transfer this amount directly to an RRSP or RRIF and can claim a deduction equal to the amount of the designated benefit. As a result, the value of the LIF can continue to grow tax-deferred (less the minimum annual withdrawal).</p> <p>The transfer must take place in the year the designated benefit is received or within 60 days after the end of the year.</p>	<p>When the spouse or common-law partner is the sole beneficiary of the LIF but the full amount is not transferred to an RRSP/RRIF, the tax-deferred rollover is still available, but the process and tax reporting is not as simple.</p> <p>Initially, the value of the LIF at death is considered taxable income of the deceased. The income from the LIF after death to December 31 of the year following the year of death is taxable income of the spouse or common-law partner.</p> <p>The deceased's income can then be reduced by an amount that is designated by the personal representative as a designated benefit. The spouse or common-law partner includes this amount in their taxable income.</p> <p>The designated benefit cannot be more than the combined value of the LIF at the date of death and the income earned from the day after death to December 31 of the year after the year of death.</p>	<p>If the estate is the beneficiary of the LIF and the spouse or common-law partner is the beneficiary of the estate, the tax-deferred rollover is still available, but the process and tax reporting is more complicated.</p> <p>Initially, the value of the LIF at death is considered taxable income of the deceased. The income from the LIF after death to December 31 of the year following the year of death is taxable income of the estate.</p> <p>The deceased's personal representative and the spouse or common-law partner would jointly file Form T1090, "Death of an RRIF Annuitant – Designated Benefit," to designate all or part of the amounts paid to the estate as a "designated benefit." The deceased's income can then be reduced by that amount and the spouse or common-law partner includes the amount in their taxable income.</p> <p>The designated benefit cannot be more than the combined value of the LIF at the date of death and</p>

<p><b>General rules (continued)</b></p>		<p>If the spouse or common-law partner transfers the designated benefit to their own RRSP or RRIF in the year the designated benefit is received, or within 60 days after the end of that year, the amount can be deducted from the spouse or common-law partner's income resulting in a tax-deferred transfer.</p>	<p>the income earned in the LIF from the day after death to December 31 of the year after the year of death.</p> <p>If the spouse or common-law partner transfers the designated benefit to their own RRSP or RRIF in the year the refund of premiums is received, or within 60 days after the end of that year, the amount can be deducted from the spouse or common-law partner's income resulting in a tax-deferred transfer (less the minimum annual withdrawal).</p>
<p><b>Tax reporting prior to death</b></p>	<p>The deceased will receive a T4RIF for any withdrawals from the LIF that occurred before their death. This income is to be reported on the deceased's tax return and applicable taxes paid.</p>		
<p><b>Tax reporting at death</b></p>	<p>The spouse or common-law partner will receive a T4RIF slip. The total LIF value received will be indicated in Box 16 "Taxable Amount." The beneficiary spouse or common-law partner will include this amount as income on line 11500 of their tax return.</p> <p>The amount that is considered to be a "transfer" will be indicated in box 24 "Excess amount." A 60(l) contribution receipt will be issued for the amount transferred to an RRSP or RRIF. If transferred to a RRIF, deduct the</p>	<p>The value of the LIF as of the date of death is reported on a T4RIF slip issued to the deceased in Box 18 "Amounts deemed received by annuitant on death."</p> <p>The income earned from the day after death to December 31 of the year after the year of death will be reported in box 16 of T4RIF issued to the spouse or common-law partner.</p> <p>The deceased's income can be reduced by the designated benefit amount as elected by the personal representative. The spouse or common-</p>	<p>The value of the LIF as of the date of death is reported on a T4RIF slip issued to the deceased in Box 18 "Amounts deemed received on death".</p> <p>The income earned from the day after death to December 31 of the year after the year of death will be reported in box 22 of a T4RIF issued to the estate.</p> <p>The deceased's personal representative and the spouse or common-law partner jointly file Form T1090, "Death of an RRIF Annuitant – Designated Benefit," to designate all or part of the amounts paid to the estate as a</p>

**Tax reporting at death (continued)**

amount on line 23200. If transferred to an RRSP, deduct the amount on line 20800 and report the amount as a transfer on Schedule 7.

law partner will include this amount as income on line 11500 of his or her tax return. A 60(l) contribution receipt will be issued for the amount transferred to an RRSP or RRIF. If transferred to a RRIF, deduct the amount on line 23200. If transferred to an RRSP, deduct the amount on line 20800. Report the amount as a transfer on Schedule 7.

“designated benefit.” A copy of the T1090 must be submitted with the tax returns of both the deceased and the spouse or common-law partner. The deceased’s income is reduced by the designated benefit amount. The spouse or common-law partner will include this amount as income on line 11500 of their tax return. A 60(l) contribution receipt will be issued for the amount transferred to an RRSP or RRIF. If transferred to a RRIF, deduct the amount on line 23200. If transferred to an RRSP, deduct the amount on line 20800. Report the amount as a transfer on Schedule 7.

If your spouse or common-law partner is to receive the proceeds of your LIRA/LIF at death, consider naming your spouse or common-law partner as the sole beneficiary in the LIRA/LIF contract to simplify administration and tax reporting, and to avoid any missed deadlines and unintended consequences.

Although a tax-deferred transfer of all the LIRA/LIF proceeds to a spouse or common-law partner is generally recommended, there may be limited circumstances when it will be beneficial to have some of the proceeds paid out directly to the spouse or common-law partner, for example, if there is an immediate need for funds. There may also be situations when it is beneficial to generate taxable income for the deceased, for example where the LIRA/LIF holder has capital losses that will not be utilized while they are living, the taxable income from the LIRA/LIF proceeds could utilize these capital losses in the year of death.



# Financially dependent child or grandchild

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LIRA/LIF proceeds paid to a child or grandchild would ordinarily be considered income of the deceased and their estate responsible for the tax. However, a financially dependent child or grandchild can be considered a qualified beneficiary.

If a financially dependent child or grandchild receives the LIRA/LIF proceeds, a designation can be made that all or a portion of the proceeds be considered a refund of premiums (LIRA) / designated benefit (LIF). The refund of premiums / designated benefit will then be deducted from the deceased's income, and the amount is then included in the financially dependent child's or grandchild's income.

Depending on the size of the LIRA/LIF, proceeds may still end up being taxed at a relatively high tax rate even when received as income to the financially dependent child or grandchild. There are options for tax deferral available if the financial dependent child or grandchild is a minor or is disabled.

Please refer to the chart below regarding definitions for financial dependency, and options for tax-deferred transfers:

	<b>Definition of financial dependency</b>	<b>Options for tax-deferred transfer</b>
<b>Financial dependency is not a result of an impairment</b>	<ul style="list-style-type: none"> <li>Was dependent on and ordinarily resided with the LIRA/LIF annuitant</li> <li>Child's or grandchild's net income for the previous year was less than the basic personal amount (line 23600 of the income tax and benefit return was less than \$15,705 for 2024).</li> </ul>	<ul style="list-style-type: none"> <li>Term certain annuity that pays to the child or grandchild until age 18 (Refer to LIRA/LIF rollover to term certain annuity information provided on the following page).</li> </ul>
<b>Financial dependency is a result of mental or physical impairment</b>	<ul style="list-style-type: none"> <li>Was dependent on and ordinarily resided with the LIRA/LIF annuitant</li> <li>Child's or grandchild's net income for the previous year was less than the basic personal amount plus the disability amount (line 23600 of the income tax and benefit return was less than \$15,705 plus \$9,872 for 2024).</li> </ul>	<ul style="list-style-type: none"> <li>RRSP</li> <li>PRPP</li> <li>SPP</li> <li>RRIF</li> <li>Annuity</li> <li>Registered Disability Savings Plan (RDSP) - no requirement to ordinarily reside. (Refer to LIRA/LIF rollover to RDSP info provided on the following pages).</li> </ul>

If before the LIRA/LIF annuitant's death, the child or grandchild had ordinarily resided with and was dependent on the annuitant but was away from home to attend school, CRA will still consider the child or grandchild to have resided with the LIRA/LIF annuitant. If the child or grandchild's net income was more than the amounts described above, the child's or grandchild may still be considered financially dependent. A written request should be submitted to a CRA tax service office outlining the reasons why the child or grandchild should be considered financially dependent on the annuitant at the time of death.

### LIRA/LIF rollover to term certain annuity

A refund of premiums of LIRA proceeds / designated benefit of LIF proceeds received by a minor child can be used to buy a term certain annuity payable to age 18, which would defer the tax over several years at a lower tax rate. Payments from the annuity must be made at least annually, and begin no later than one year after the date the annuity is purchased. For example, if a child was only eight years old when the LIRA/LIF proceeds were received, a 10-year term annuity could be purchased and the income spread over a number of years. Consideration should be given to the size of the LIRA/LIF and the age of the child or grandchild.

### LIRA/LIF rollover to RDSP

A Registered Disability Savings Plan (RDSP) is a long-term registered savings plan to assist people with disabilities save for their future financial security. An eligible individual that is the beneficiary of an RDSP and is entitled to the proceeds from a deceased annuitant's LIRA/LIF may transfer the proceeds on a tax-deferred basis to the eligible individual's RDSP. An eligible individual is a child or grandchild of the deceased LIRA/LIF annuitant who was financially dependent on the deceased for support at the time of the deceased's death by reason of mental or physical infirmity. The child or grandchild is considered financially dependent if the net income of the child or grandchild for the previous year (line 23600 of the income tax and benefit return) was less than the basic personal amount plus the disability amount of \$15,705 plus \$9,872 for 2024).

The amount that can be rolled over to an RDSP cannot exceed the RDSP beneficiary's lifetime RDSP contribution limit of \$200,000. Although the transfer to an RDSP decreases the beneficiary's contribution room, it will not generate any RDSP grants.

The rollover of the deceased's LIRA/LIF assets to an RDSP requires completion of CRA Form RC4625 Rollover to a Registered Disability Savings Plan. A T4RSP will be issued to the deceased with the amount of the rollover shown in box 28. Both the deceased and the eligible individual must report this amount as income on line 12900 of their respective income tax and benefit returns, with the deduction of the transfer reported on line 23200. CRA Form RC4625 must be attached to both the deceased's and the eligible individual's income tax and benefit returns.

The eligible beneficiary will also have to attach a 60(m) contribution receipt for the amount of the rollover. For additional information regarding RDSPs, please refer to the ATB Wealth RDSP Guide.



### **Non-qualified beneficiaries**

If someone other than a spouse, common-law partner or financially dependent child/grandchild is entitled to the LIRA/LIF proceeds, the general rule applies. The fair market value of the LIRA/LIF at death will be taxable to the deceased and any amount that represents income earned in the LIRA/LIF after the date of death will be taxable to the named beneficiary, or the annuitant's estate if no beneficiary is named. In other words, for a non-qualifying beneficiary, the full value of the LIRA/LIF will be paid directly to the beneficiary, however, the tax burden for the value of the LIRA/LIF at death will fall on the deceased's estate.

This may not be an issue if the LIRA/LIF beneficiary is the same as the beneficiary of the estate. It can be a problem, however, if others are the beneficiaries of the estate. They may be left with less than what the deceased had intended unless the deceased had taken into account that their share would be reduced by the tax burden with respect to the LIRA/LIF. It is important to ensure that there are other assets or life insurance available to pay the tax bill. While the estate is technically responsible for the tax, in cases where CRA is not able to obtain the applicable taxes from the estate, the person who received the proceeds is considered to be jointly liable with the estate for the payment of the related tax. Although the estate does not have the authority to request payment from the designated beneficiary, CRA does and can go after the beneficiary for taxes owing.

### **Charitable organization as beneficiary**

If you name a registered charity or other qualified donee under the Income Tax Act, as the beneficiary of your LIRA/LIF, a donation tax credit will be available. If the transfer of funds to the charity occurs within 36 months after the date of death and the estate qualifies as a "graduated rate estate," the donation tax credit can be applied to either:

- the last two taxation years of the deceased;
- the taxation year of the estate in which the donation is made;
- an earlier taxation year of the estate; or
- any of the five taxation years of the estate following the year in which the donation is made.

CRA sets a limit on the amount of donations that can be utilized for the donation tax credit in a given year. In the year of death, donations up to 100% of net income can be utilized.

## Estate as beneficiary

Naming the estate as beneficiary will not eliminate the availability of the tax-deferred rollovers to qualified beneficiaries. As long as the qualifying beneficiary is named as a beneficiary of the estate, the personal representative can file an election along with the beneficiary to have proceeds treated as a refund of premiums (LIRA) / designated benefit (LIF).

The LIRA/LIF assets will be subject to probate if the estate is named the beneficiary of your LIRA/LIF. In Alberta, probate fees are relatively low - a maximum of \$525 on estates over \$250,000, so this is usually not a concern. On the other hand, the legal fees associated with probate are generally calculated as a flat fee plus a percentage of the assets, so this may increase the cost of legal fees.

Naming the estate as LIRA/LIF beneficiary can be beneficial in certain circumstances such as when the LIRA/LIF holder wishes to name several beneficiaries on the account, when there are minor beneficiaries requiring a trustee, or other situations where the LIRA/LIF assets are to be held in trust. Designating the estate as beneficiary can also provide the personal representative with more flexibility to arrange the distribution of the assets in a tax-efficient manner and to maximize the estate value.

Alberta has enacted legislation that protects LIRAs/LIFs from creditors during an individual's lifetime. However, where creditor protection on death is of concern, individuals should consult with a qualified legal advisor regarding this matter and beneficiary designations.



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