

# New LIRA Unlocking Opportunities Available!



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Regardless of how you intend to vote this Fall, from a financial perspective, we have to give credit to the federal government for recently introducing two new improvements to managing an individual's pensions and their income. In 2008 we saw the 'Feds' introduce Pension Income Splitting as well as new Unlocking Provisions for Locked-In Pension funds. According to federal documents, these changes to the *Pension Benefits Standards Regulations, 1985*, are intended to improve the quality of life for those individuals holding federally or provincially regulated pension plans such as Locked-in RRSP's, LIF's, LIRA's, etc.

Most people open locked-in accounts or pensions when leaving or retiring from an employer-sponsored pension plan with accrued benefits. Because the withdrawal rules are so stringent in the current versions of these plans, the federal government is now allowing individuals to take more control over their plans, giving more flexibility and options for the repositioning of retirement assets as well as provide a one-time unlocking feature to access funds.

The least prohibitive locked-in plans to access are those which are Provincially regulated. In these plans, individuals of any age may access up to 25% of the total market value of their locked-in account. The individual may transfer the funds into a regular RRSP or RRIF and continue to defer the taxes while gaining control over how to invest the funds and when to draw from that RRSP or RRIF, where there are no maximum withdrawal limits. An individual may also withdraw the 25% in cash, which would be subject to withholding tax. This little 'gift' from the Feds may provide new opportunities for plan holders to withdraw some of their locked-in assets to use for debt reduction, an investment, a down payment or any other competing priority in their lives.

Federally regulated locked-in plans have a few more provisions under which funds can be unlocked, but they are fairly reasonable. The three circumstances under which individuals may access their funds are: small balances, financial hardship and a 50% one-time unlocking if the individual is at least 55 years of age or older.

In the first circumstance, if an individual is at least 55 years of age, with total federal locked-in assets worth less than the 'small balance limit' (which is \$22,450 for 2008 and indexed annually to the average industrial wage), they may unlock the entire balance.

Any plan holder, regardless of age, facing 'financial hardship' will also be able to unlock up to the small balance limit (\$22,450 for 2008) within a calendar year, if they meet one of two conditions. One condition is if the plan holder expects to spend more than 20% of their income on medical treatment or disability related expenditures in any given calendar year. These expenses must be attested to by a licensed Canadian physician as well as the plan holder. The other condition is if the individual plan holder expects to earn less than the 'low income limit', defined as \$33,675 for 2008, in a calendar year. In this case, the individual must disclose and attest to their expected yearly income.

The third circumstance under which one may now access Federally locked-in retirement assets, is perhaps the most impressive and dramatic change of all. Individuals who are 55 or older will now be entitled to unlock 50% of their locked-in assets by way of a one-time conversion to a new RRSP or RRIF. This new amendment is certain to provide individuals with much more flexibility in the management of their retirement income and spending.

There is only one further general stipulation to unlocking assets and it is common to both Provincially and Federally regulated locked-in pension plans. In order to facilitate and regulate the unlocking, the locked-in assets must first be transferred to a new contract which reflects the recent amendments. Even if financially you don't need to unlock any funds at this time, you may want to consider switching your old plan for the new version, simply because it will offer you much more flexibility in the years ahead. Existing plans will not allow for the new features.

When can individuals begin unlocking you ask? Since these changes are so recent, not all financial institutions have made the necessary amendments and are ready to offer the new version of these plans. Ask your financial advisor if the companies he/she deals with are ready and how you can take advantage of these new benefits - it should be as simple as a few signatures to start the process. As one of the first advisors in Canada to be involved in unlocking federal funds, I am pleased to offer assistance to individuals or their advisors on facilitating the unlocking process. For more information or assistance, please feel free to contact the author at **905-632-9900** or [leony@dgfs.ca](mailto:leony@dgfs.ca).



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