

# The Navigator



Wealth  
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RBC Wealth Management Services

## RRIF minimum withdrawals

Although you may convert your Registered Retirement Savings Plan (RRSP) to a Registered Retirement Income Fund (RRIF) at any time, you must do so by the end of the calendar year during which you turn age 71. When you convert to a RRIF, you will then be required to receive at least a minimum payment from the plan each year. However, there is no minimum payment required in the year you convert your RRSP to a RRIF. The amount of the minimum payment is based either on your age or your spouse's age and the value of the assets in the RRIF on December 31 of the previous year. You can elect to use your spouse's age to calculate the RRIF minimum at the time the RRIF is established.

*This article may outline strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal or tax advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax and legal advisor before acting on any of the information in this article.*

Please contact us for more information about the topics discussed in this article.

### Calculating your RRIF minimum payment

Your RRIF minimum amount is calculated at January 1 of each year based on the fair market value of your RRIF at December 31 of the previous year. To determine the required minimum withdrawal, a percentage factor corresponding to your age at the beginning of the year is applied to the value of your RRIF assets at December 31 of the previous year. When the RRIF is established, you also have the option to base the minimum withdrawals on your spouse or common-law partner's age. Once you make this election, you cannot change it even if your spouse or common-law partner dies. However, you can establish a new RRIF, transfer funds from the old plan and make a new election for this new RRIF.

To view the minimum payment factors for 2015 and subsequent taxation years for ages 60 and older, see the table in Appendix 1. The relevant age is either your age or your spouse's age depending on what you elected when the RRIF was established. If you need to calculate the RRIF minimum payment for ages not shown in the table (less than 60) use the formula  $1 / (90 - \text{age at the start of the year})$  to determine the factor to apply to the value of the RRIF at December 31 of the previous year. For example, if you are 56 at the start of the year, the RRIF minimum factor would be  $1 / (90 - 56)$  or 2.94%. If the value of your RRIF at December 31 of the previous year is \$100,000, then your required RRIF minimum payment for the year would be \$2,940.

You will be required to receive at least an annual minimum payment from your RRIF.

For information on the transitional rules relating to the reduction of the RRIF minimum withdrawal rates starting in 2015, ask your RBC advisor for the article, "Reduction of the RRIF Minimum Withdrawal Requirements - Transitional Provisions for 2015".

### Withholding tax for Canadian residents

As discussed above, you will be required to receive at least an annual minimum payment from your RRIF. You can choose to receive this payment monthly, quarterly, semi-annually or annually, depending on your income requirements. If you do not require income you may decide to receive the annual minimum payment at the end of the year to maximize the tax-deferral benefits of your RRIF.

If you choose to receive the minimum amount from your RRIF, withholding tax will not apply to this payment if you are a resident of Canada. If you elect to receive a payment that exceeds the minimum payment, income tax will be withheld at source on the amount in excess of the minimum payment. The withholding tax rates that apply are shown in the table below.

The rate of withholding tax you pay will vary based on both the amount you withdraw and the province or territory where you live. The following table shows the percentage tax that is currently withheld when you make a single lump sum withdrawal.

Withdrawal amount exceeding the minimum	Province/territory other than Quebec	Province of Quebec*
\$0 - \$5,000	10%	21%
\$5,001 - \$15,000	20%	26%
\$15,001 and over	30%	31%

\* For Quebec residents the withholding tax is equal to Quebec withholding tax of 16% for all withdrawal amounts plus federal withholding tax of 5%, 10% or 15% depending on the amount.



Keep in mind that in the year your RRIF is established the minimum payment is zero.

### Impact of a series of withdrawals on withholding tax rates

Withholding tax is charged at lower rates on RRIF withdrawals if you withdraw \$5,000 or less (see the table above) above the minimum payment. You would assume that this provides an opportunity to minimize the taxes that are withheld at the time you make the withdrawal by taking a series of smaller withdrawals; however, the low rate does not apply if you make a series of preauthorized smaller withdrawals that are in excess of the thresholds above. If you make a series of smaller withdrawals from a registered plan, that are in the nature of instalments made in fulfillment of a single request Canada Revenue Agency (CRA) considers that the rate of withholding on each individual payment should be based on the total sum requested and not on each individual payment. The withholding tax will only apply to the portion of the withdrawal in excess of the RRIF minimum payment required for the year.

In a situation where you receive regular instalment payments and then submit a request for an additional amount during the year, the CRA will consider this to be a separate request and will only require tax to be withheld on the excess portion of that payment regardless of the amount of the regular instalment payments. It is important to understand, however, that if it appears that you are making separate requests to minimize the withholding tax, CRA considers that the rate of withholding tax should be determined as if there was one request equal to the total of all amounts requested. Thus, a higher withholding rate could apply. This could be the case if you make a series of requests in a short period of time.

For example, assume you are a resident of a province other than Quebec who withdraws \$600 every month from your RRIF (\$7,200 on an annual basis) using a pre-authorized

withdrawal program. Assume your annual minimum payment is \$1,200. As the sum of the amounts you plan to withdraw in the year in excess of the RRIF minimum is \$6,000 (\$500 x 12 months), the required withholding tax percentage is 20%. This percentage applies to middle range withdrawals, which is between \$5,001 and \$15,000. The 20% withholding tax will apply each month to the withdrawal in excess of the \$100 monthly RRIF minimum withdrawal (i.e. 20% x \$500).

If during the year, you decide to withdraw an additional \$10,000 as a lump sum from your RRIF, the \$10,000 withdrawal would be subject to the 20% withholding tax rate.

### RRIF withdrawals from a spousal RRIF and income attribution

RRIF minimum payments are not subject to the income attribution rules. Therefore, if you only take the RRIF minimum amount, there will be no income attribution. Keep in mind that in the year your RRIF is established the minimum payment is zero. If you withdraw more than the minimum payment from your spousal RRIF, the excess will attribute back to your spouse who made the contribution to the extent of any spousal RRSP contributions made in the year of the withdrawal and the two previous years.

### In-kind transfers to a non-registered account

It is possible to take a RRIF payment by transferring investments in-kind from your RRIF directly into your non-registered account. It is not necessary for your RRIF investments to mature or to be liquidated before you transfer them to the non-registered account. The amount of your RRIF withdrawal and the adjusted cost base of the securities transferred will be equal to the fair market value of the investments at the time of the transfer.

### Withholding tax on in-kind RRIF withdrawals

If you take a payment in-kind from your RRIF that exceeds the minimum amount, you must have cash available in your RRIF to pay the withholding tax. The withholding tax is calculated based on the amount of your payment that exceeds the minimum amount. This will have the effect of increasing the amount that you withdraw from your RRIF.

### Annual tax reporting

The fair market value of the securities transferred in-kind to your non-registered account will be reported on a T4RIF tax slip and Relevé 2 (for Quebec residents) as a RRIF withdrawal. As with any other RRIF withdrawal, you are required to include this amount as RRIF income on your personal tax return. You may be liable to pay additional tax on your personal tax return as a result of your withdrawal if insufficient taxes were

withheld at the time you made your withdrawal. You will need to pay this tax using other sources if you decide not to liquidate the securities.

### Withholding tax for non-residents of Canada

If you are a non-resident of Canada, generally a withholding tax of 25% applies to your RRIF payment, even if you only receive the minimum amount. The rate of withholding tax that applies may be lower if Canada has a tax treaty with the country where you are resident. For many countries that have a tax treaty with Canada, including the United States, withdrawals from a RRIF are subject to a 15% non-resident withholding tax if payments from the RRIF during the calendar year are less than the larger of the two following amounts:

- i) Twice the minimum withdrawal required for the year; or

- ii) 10% of the fair market value of the RRIF at the beginning of the year (or December 31 of the previous year).

A notable exception is RRIF payments made to residents of the United Kingdom. If payments from the RRIF during a calendar year are made to a resident of the U.K. and the amount of the RRIF withdrawal is less than the tax treaty limits described above, then withholding tax will not apply to the payments made.

If the country where you live does not have a tax treaty with Canada, then you will pay non-resident withholding tax at a rate of 25% when you make a withdrawal from your RRIF, even if you only receive the minimum amount.

If you have questions on any of the issues discussed in this article, please speak to your RBC advisor.



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