Lesniewski Moore
Consulting Group Inc.
Actuarial & Retirement Plan Consulting

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How Do I Access My Individual Pension Plan Assets?

Most of the focus on IPPs is on how much can be contributed. Equally important is to understand how to get access to your money - whether you retire, die, or even terminate the plan early. This article summarizes all the options available.

Retirement Options

The earliest you can start to draw from your IPP is age 50 (dependent on provincial legislation) and you must start drawing by the end of the year in which you attain age 71. There are several different options for converting your IPP into a source of income at retirement. Here is a high level summary of those options so you have a clear understanding when it comes time to make that transition from saving to income stream.

A. Business Continues

Self Annuitizing: If the company sponsoring the pension plan is continuing, and you retire from that company, the formula pension will be paid directly from the pension fund. This means that the pension plan will not collapse upon retirement. Periodic valuations and annual administration including tax reporting are required. In addition the self annuitizing option allows for terminal funding - an additional one-time opportunity to make a significant tax-deductible contribution.

B. Terminate Plan

Locked In Retirement Account (LIRA): If there is no underlying company sponsoring the pension plan or by choice, the IPP must terminate and the maximum transfer value or prescribed amount will be transferred to another registered product. In most provinces, the maximum transfer value or prescribed amount will be transferred as "locked-in" (Locked in Retirement Account LIRA) with the ability to unlock up to 50% when converting to an income yielding vehicle. If the market value of assets exceeds the amount permitted to be transferred (maximum transfer value or prescribed amount), the difference is paid to the member as a one-time taxable cash payment.

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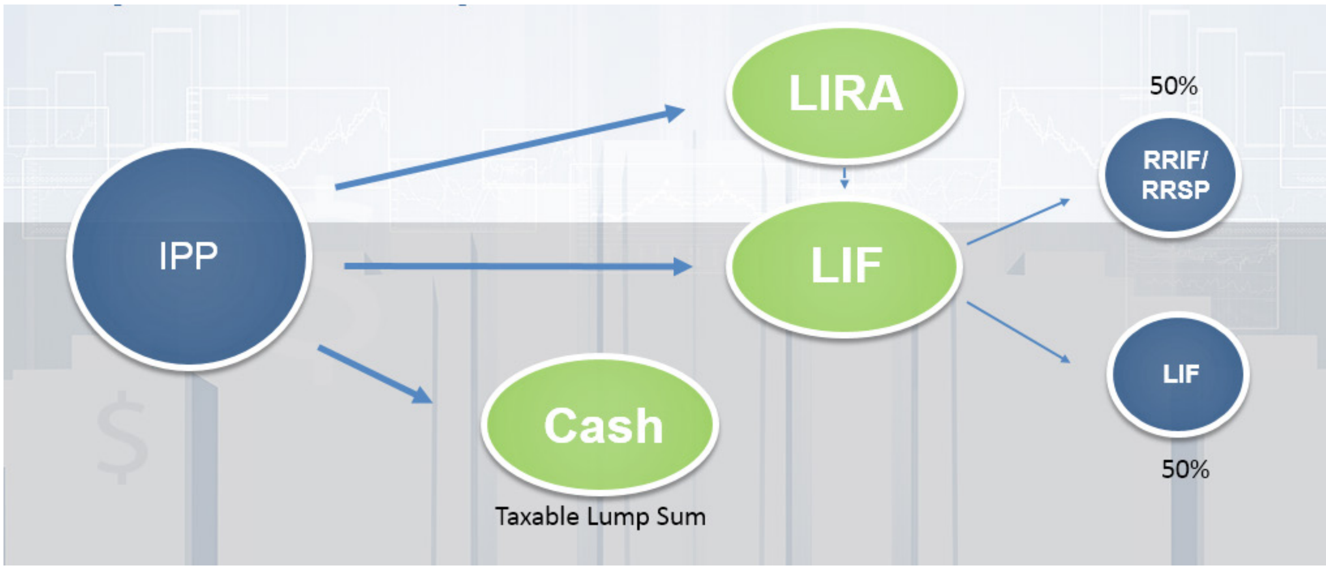
"We offer practical and intelligent consulting solutions."



The terminating plan option permits variability in retirement income, but with the likelihood of a taxable lump sump amount.

Wind Up Option Prior to Retirement

Note an IPP can be wound up prior to retirement with the options being similiar to the Terminate Plan Option at retirement.

C. Annuity Purchase: A third option available is to terminate the IPP and purchase a Life Annuity through an insurance company. If you have a spouse, the annuity must be in the form of a joint and survivor annuity unless a waiver is signed by your spouse and the annuity is restricted to a maximum 15-year guarantee period. An additional tax deductible contribution may be required to purchase the annuity or any excess IPP funds left over after purchasing the annuity will be paid to the member as a taxable event.

Options on Death

A. Pre-Retirement:

A tax-free rollover of the commuted value of the accrued pension to a spouse's RRSP, RIF or another pension plan is permitted. In some provinces, the death benefit proceeds continue to be locked-in when paid to a spouse. In this case, the spouse can transfer to a LIRA, LIF, PRIF, or LRIF, or purchase a life annuity. Any surplus left in the IPP after the payment of the death benefit is payable to the participant's estate.

If the surviving spouse is a member of the IPP, depending on the terms, the surviving spouse may have the option to hold the calculated death benefit in an internal Voluntary Account within the IPP trust.

If there is no spouse, the death benefit is payable to the participant's designated beneficiary or estate, subject to income tax. Again, any surplus left in the IPP after payment of the death benefit is payable to the participant's estate.

B. Post-Retirement:

The option you have chosen at your retirement continues as payment for any post-retirement death benefits.

Business Continued

If you elected to receive payments from the IPP, the death benefit will depend on the form of payment. If the form of payment was a single life annuity, payments would cease upon your death. Any surplus remaining in the IPP after all payments have been made would be payable to the participant's or the surviving spouse's estate.

If the form of payment was a joint and survivor, the pension payments would continue to a surviving spouse either at full or reduced level, depending on the guarantee period. Any surplus remaining in the IPP after the death of the surviving spouse will be paid to the surviving spouse's estate.

Terminated Plan

If you chose the LIF, PRIF or LRIF retirement option, the remaining proceeds are payable to your spouse (or beneficiaries). Some provinces require that the funds remain locked-in if the proceeds are payable to a spouse.

If you chose to purchase a life annuity, any remaining payments under a guarantee period continue to be paid to the beneficiary, or can be commuted to a lump sum payment. If a joint and survivor pension was purchased, the pension will continue for the life of the surviving spouse.

Lesniewski Moore Consulting is here to guide you through every step of the IPP process, from emphasizing service and our consulting approach. We automatically prepare Retirement Option Statements the year you reach age 71, or at any time should you wish to retire before then. Regardless of your life event, please contact us for further information and a full discussion of your options.

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