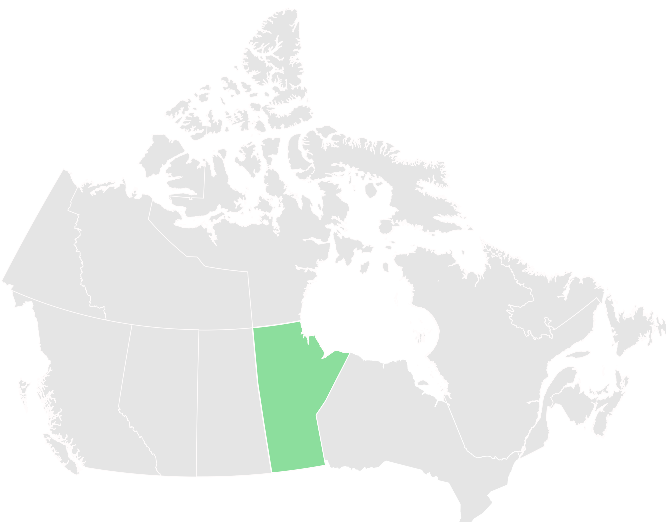
# Locked-in Plans

## Understanding the Manitoba Pension Legislation



If you have funds in a "Locked-in" Plan governed by the Manitoba pension legislation, the following will provide an overview of certain requirements and procedures for you to access your funds. It is important to note that the pension jurisdiction is determined by the pension administrator, and is not dictated by your province of employment or residence. Therefore you may hold locked-in funds from the same or different employers that are subject to different pension legislations.

It should be noted that these rules are subject to change at any time and the Manitoba pension legislation should be reviewed prior to initiating an un-locking request. Where there is a discrepancy between the information contained in this article and the information provided by the applicable pension legislation, the latter takes precedence.

Please visit: https://www.gov.mb.ca/labour/pension/acts_regs/pensionbenefitsact.html

**Year's Maximum Pensionable Earnings (YMPE):** Unlocking provisions are often based on the YMPE which for 2020 is **$58,700.**

**Locked-in Retirement Account (LIRA):** A LIRA is similar to a Registered Retirement Savings Plan (RRSP), however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn and the plan holder must convert to a LIF or purchase an annuity no later than December 31st of the year in which they turn 71.

**Life Income Fund (LIF):** A LIF operates similarly to a Registered Retirement Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum.

**Prescribed Registered Retirement Income Fund (pRRIF):** A pRRIF operates similarly to a Registered Retirement Income Fund (RRIF), except that it is also subject to certain rules in Manitoba's pension legislation.

**Minimum Retirement Age:** Generally, no minimum retirement age, however the age of retirement may be set out under the terms of the specific pension plan.

## One-time unlocking:

- A one-time 50% unlocking is permitted from one or more LIF accounts and the plan holder must be at least 55 years of age.
- Funds can be transferred to a pRRIF, subject to certain rules set out in Manitoba's pension legislation however would no longer be locked-in.
- Unlocked funds that are withdrawn will be subject to the applicable federal and provincial withholding taxes.
- The spouse or common-law partner would need to complete Form 4: Consent to One-Time Transfer of Manitoba Locked-in Money.

## Small balance:

- For annuitants less than 65 years old, the total value of all locked-in accounts must be calculated using an interest rate of 6% per year for the number of years until the client reaches the age of 65. If the result is less than 40% of the YMPE ($23,480 for 2020) in the year of the request then the request for a small balance withdrawal can be processed.
  - Example: Mary is 55 on December 31st of the year in which the withdrawal is required. The current balance in all of her LIRAs/LIFs is $5,000. For the 10 years until Mary turns 65 a 6% interest is added to the balance, resulting in a balance of $8,954.25. As this is less than 40% of the YMPE ($23,480) in the current year the amount can be withdrawn.
- For annuitants more than 65 years old, the total value of all locked-in accounts is less than 40% of the YMPE ($23,480 for 2020).
- The entire amount can be withdrawn as a lump sum.

## Financial hardship:

- This provision is not available under Manitoba pension legislation.

## Non-resident withdrawal:

- The plan holder must be a non-resident for Canadian income tax purposes and obtain a written confirmation from the Canada Revenue Agency (CRA).
- The plan holder must have not resided in Canada for at least 2 calendar years.
- The plan holder will be allowed to unlock the full value of their LIRA or LIF account.
- The spouse or common-law partner would need to complete Form 3: Consent to Withdrawal for Non-Residency Status.

## Reduced life expectancy:

- A duly qualified physician must provide a letter certifying that a mental or physical disability has considerably shortened the life expectancy (to less than two years) of the plan holder.
- The plan holder can withdraw the funds in a lump sum. Withdrawals are subject to applicable federal, provincial or non-resident withholding taxes.
- The plan holder and their spouse or common-law partner, if applicable, must complete Form 7: Consent to Withdrawal from LIRA or LIF due to Terminal Illness or Disability.

## At death:

- If the annuitant has a spouse or common-law partner who has not waived their right to the death benefit from the LIRA or LIF, it must be transferred to the surviving spouse/common-law partner into a locked-in plan.
- If the spouse or common-law partner has waived their rights or there is no spouse or common-law partner, the funds will be unlocked and paid to the estate or named beneficiary.
- Unlocking is also permitted with a LIF if the surviving spouse or common-law partner has waived his/her entitlement and the funds will be paid to the estate or another beneficiary.

## Considerations

Review the unlocking rules with your TD advisor and consider how unlocking may fit within your overall wealth plan and assist you in meeting your retirement goals. Ensure you also speak with a tax advisor about the implications of a withdrawal.