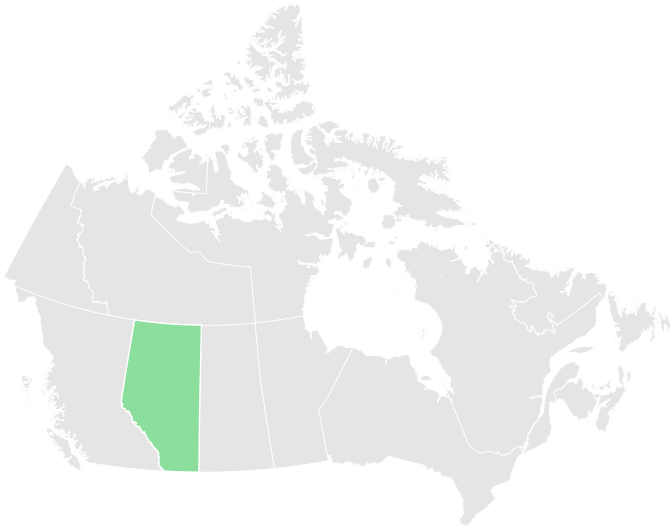


Locked-in Plans

Understanding the Alberta Pension Legislation



If you have funds in a “Locked-in” Plan governed by the Alberta 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 Alberta pension legislation should be reviewed prior to initiating an unlocking 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.alberta.ca/pensions-legislation-updates.aspx>

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however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn. The plan holder may convert to a Life Income Fund (LIF) or purchase an annuity as of 50 years old and must do so 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Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum.

Minimum Retirement Age: 50 years old.

One-time unlocking:

- A one-time 50% unlocking is permitted from the LIRA account only and the plan holder must be at least 50 years of age.
- Funds can be transferred to an RRSP or RRIF account, or withdrawn subject to the applicable federal, provincial or non-resident withholding taxes.
- The remaining 50% balance from the LIRA must be transferred to a LIF or a Life Income Type Benefit Fund (LITB), which will then pay income to the annuitant each year.
- The spouse or common-law partner would need to sign the [Pension Partner Waiver to Permit Up to 50% Unlocking from a Locked-In Retirement Account on Establishment of a Life Income Fund or Transfer to a Life Income Type Benefit Fund.](#)

Unlocking of a LIRA is a one-time occurrence, therefore, if less than 50% of the account balance is unlocked, you will not be able to unlock a second time to make up the difference.

Small amount:

- Annuitant under 65 years old and the amount in any single locked-in plan is less than 20% of the YMPE (\$11,740 for 2020).
- Annuitant above 65 years old and the amount in any single locked-in plan is less than 40% of the YMPE (\$23,480 for 2020).

The entire amount can be withdrawn as a lump sum. However, if the plan balance exceeds the above-noted limits, even by \$1, the account would not be eligible for unlocking under the small amount provision.

If a one-time unlocking is completed and the remaining balance is less than the limits for the small amount provision, then the remaining balance of the LIRA may also be eligible for unlocking under the small amount provision.

Financial hardship:

- There are five reasons allowed for requesting a withdrawal under financial hardship;
 - Low income;
 - Foreclosure;
 - Eviction for rent arrears;
 - First month's rent & security deposit; and
 - Medical costs & renovation.
- The plan holder must complete the [Application to Unlock Alberta Funds Due to Financial Hardship](#) and only one request per reason above is allowed per calendar year.
- Supporting documentation may be required and is detailed on the application form.
- Spousal consent is required and included on the application form.

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 will be allowed to unlock the full value of their LIRA or LIF account. Withdrawals are subject to applicable non-resident withholding taxes.

- The spouse or common-law partner would need to complete the [Pension Partner Waiver to Permit Unlocking From a Locked-in Product Due to Shortened Life Expectancy or Non-Residency](#).

Reduced life expectancy:

- A duly qualified physician must provide a letter certifying that a mental or physical disability has considerably shortened the life expectancy of the plan holder.
- The plan holder can withdraw the funds in a lump sum, or in a series of payments. Withdrawals are subject to applicable federal, provincial or non-resident withholding taxes.
- The spouse or common-law partner would need to complete the [Pension Partner Waiver to Permit Unlocking From a Locked-in Product Due to Shortened Life Expectancy or Non-Residency](#).

At death:

- If the annuitant of a LIRA passes away;
 - and has a surviving spouse or common-law partner the funds are transferred to a LIRA opened by the spouse or partner.
 - if the surviving 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.
 - if there is no named beneficiary, the annuitant's estate will receive the balance of the LIRA as a lump sum, less withholding tax and applicable fees.
- If the annuitant of a LIF passes away;
 - the death benefit can be paid to a surviving spouse or common-law partner in cash, to a RRIF, or to an RRSP if the surviving spouse or common-law partner is under 71 years of age.
 - if there is no surviving spouse or common-law partner, or if they have waived their rights, the named beneficiary or estate will receive a cash lump sum, less withholding tax and applicable fees.

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.



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