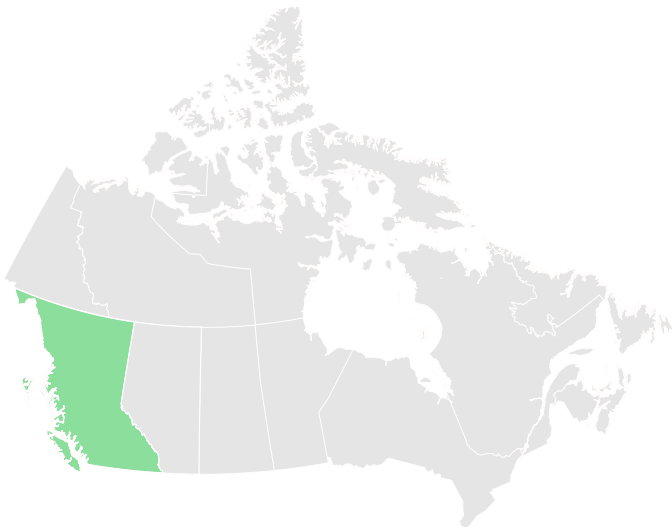


# Locked-in Plans

## Understanding the British Columbia Pension Legislation



If you have funds in a “Locked-in” Plan governed by the British Columbia 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 British Columbia 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.fic.gov.bc.ca/?p=pension\\_plans/regulation](https://www.fic.gov.bc.ca/?p=pension_plans/regulation)

**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however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn.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 31<sup>st</sup> 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Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum.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:

- This provision is not available under the British Columbia Pension Legislation.

### Small balance:

- Annuitant is under 65 years of age and the value in any single locked-in account is less than 20% of the YMPE (\$11,740 for 2020).
- Annuitant is 65 years of age or older and the value in any single locked-in account is less than 40% of the YMPE (\$23,480 for 2020).

The entire amount can be withdrawn as a lump sum and is taxable as income in the year of withdrawal. Note that you cannot split accounts to satisfy the small balance thresholds.

## 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 and Withdraw B.C. Funds Due to Financial Hardship.
- 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 have been a non-resident for Canadian income tax purposes for at least 2 years, 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 the applicable non-resident withholding taxes.
- The spouse or common-law partner would need to complete the Form 1: Spouse's Waiver to Permit Benefits in a Pension Plan, Locked-in Retirement Account or Life Income Fund to be Unlocked.

## 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 Form 1: Spouse's Waiver to Permit Benefits in a Pension Plan, Locked-in Retirement Account or Life Income Fund to be Unlocked.

## At death:

- A variety of scenarios can ensue depending on whether there is a surviving spouse/common-law partner and whether a waiver to the death benefit has been signed, or that no further entitlement will apply under section 145 of the *Family Law Act (British Columbia)*.
- A surviving spouse or common-law partner will be entitled to receive funds from a deceased owner's LIF on an unlocked basis.

## 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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