

# Locked-in Plans

## Understanding the New Brunswick Pension Legislation



If you have funds in a “Locked-in” Plan governed by the New Brunswick 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 New Brunswick 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: <http://fcnb.ca/consumer-pensions.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however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn. The plan holder may convert to a Life Income Fund (LIF) at any age or purchase an annuity as of 55 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Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum.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:** No minimum age to convert to a LIF, 55 years old to purchase an annuity.

### One-time unlocking:

- A one-time unlocking is permitted from a LIF account. The amount is equal to 3 times the annual amount to a maximum of 25% of the balance in the LIF.
- The one-time partial unlocking provision is only available if a previous transfer has not been made before.
- As of May 28<sup>th</sup>, 2018 all requests for transfers from LIF to RIF must be completed online through <https://portal.fcnb.ca/logon/>

## Small balance:

- The eligible amount for the small balance provision is based on a calculation subject to the age of the annuitant.
- For the two years prior to the request the annuitant must have a pension adjustment of \$0 on their T4, therefore if an individual has recently left their pension plan they would not be eligible under this provision.
- The annuitant must complete [Form 3.6: Request for Withdrawal from a Locked-in Retirement Account \(LIRA\)](#).
- The spouse or common-law partner would need to sign [Form 3.7: Consent of Spouse or Common-Law Partner to Withdraw from a Pension Fund or a Locked-in Retirement Account \(LIRA\)](#).

## Financial hardship:

- This provision is not available under New Brunswick Pension Legislation.

## Non-resident withdrawal:

- The plan holder will be allowed to unlock the full value of their LIRA or LIF account if all three of the following conditions are met;
  - Neither you nor your spouse or common-law partner are Canadian citizens;

- Neither you nor your spouse or common-law partner are residents of Canada; and
- Your spouse or common-law partner signs [Form 3.5: Waiver of Spouse or Common-Law Partner](#).

## 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 [Form 3.01: Waiver by Spouse or Common-Law Partner \(Reduced Life Expectancy\) – LIRA, LIF, Annuity](#).

## At death:

- If there is a surviving spouse or common-law partner then the funds will be transferred to them on an unlocked basis.
- If there is no spouse or common-law partner then the plan proceeds are payable to the designated beneficiary or the annuitant's estate.

## 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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