Living Your Retirement

Many Canadians are worried they won't have enough money to meet their retirement needs. By starting early and following some of the tips in our other Financial Foundations tip sheets (available on our website), you can help protect yourself from financial hardships and stress after you retire. The financial decisions you make for your retirement savings leading up to and after retirement will affect the rest of your life. It's important to get the right balance of income, safety, and growth for you. If you're not sure what to do, talk to a professional adviser. Here are some considerations to help you with your financial choices in retirement:

- **RRSP changes:** At the age of 71 you can no longer contribute to a registered retirement savings plan (RRSP). You have 3 options: withdraw your RRSPs, transfer them to a registered retirement income fund (RRIF) or, purchase an annuity

- **RRIF withdraws:** You have to start withdrawing money from your registered retirement investment fund (RRIF) the year after you open it. The government sets a minimum amount that you must withdraw each year, and this amount increases each year as you get older. There is no maximum amount. All withdraws are fully taxable.

- **Tax considerations:** You will pay tax on money withdrawn from a registered plan. This includes RRSPs, a work pension, an annuity, or on any additional amount you take out beyond the required yearly minimum withdraw from your RRIF. You do not pay tax on money withdrawn from unsheltered savings (such as a tax free savings account). This is because you have already paid tax on this money (you did not receive a tax deduction as with an RRSP contribution).

- **TFSA:** Consider using a tax-free savings account (TFSA) to fund extraordinary expenses at any time such as a new car or taking a vacation, etc...Since you don't pay tax on money withdrawn from your TFSA, it's likely the most economical way to save for mid to short-term savings goals. If you use an RRSP to fund a one-time, big ticket item such as a car or a trip, you'll have to take in to account the price of the item as well as the tax you'll have to pay for the withdrawal. Additionally, a withdrawal could bump you into a higher tax bracket.

- **Government Benefits:** Additional sources of income in retirement may be available to you through government benefits such as the Canada Pension Plan or Old Age Security. Visit the Canada Revenue Agency (http://www.cra-arc.gc.ca/) website for more details.

- **Living out of the country:** Do you plan to spend part of the year out of the country once you're retired? If so, there are important tax considerations to make. More information is available on the Canada Revenue Agency website (http://www.cra-arc.gc.ca/).

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