

What is a LIF?

Simply put, a Life Income Fund, or LIF, is a type of registered fund that pays you regular retirement income.

How does a LIF work?

Your employer may offer a pension plan that lets you contribute a portion of your paycheck to retirement savings. These funds are “locked-in” until you retire. You can then transfer part, or all of these funds into a LIF or a life annuity, or both. Many people choose a LIF.

The amount you can transfer may be subject to some limits. It depends on the rules of your original plan and where it’s registered.

You can choose any amount of income to withdraw, within a minimum and maximum range. Federal income tax law sets the minimum percentage for all of Canada. You must withdraw this from your LIF each year. The maximum percentage that you can withdraw each year is set by federal or provincial pension law. That means your maximum may be different from someone else’s.

Your age... account balance... and life expectancy also factor into these limits.

What type of investments can a LIF hold?

You can choose from a variety of investments for your LIF. These include mutual funds... segregated funds... or guaranteed investment certificates... better known as GICs.

Why would I consider a LIF?

The money in a LIF is tax-sheltered. That means you pay tax only on the retirement income you withdraw yearly. A LIF also gives you some control over your income and your investments. That can help you customize your retirement plan.

For more tips and tools, visit sunlife.ca.