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RRIF Withdrawal Rules

The 2015 Budget should address the current problem which forces many seniors to withdraw funds from their RRIFs before they are needed. The RRIF Minimum Annual Withdrawal Factors should be changed and I suggest that such factor should start at 3% at age 70 and then increase slowly thereafter so that the funds withdrawn do not reduce precipitously the RRIF's principal against which the factor is applied.

The current RRIF Withdrawal Formula skews the withdrawal of funds to the early years when such funds are often not required by the retiree. For example, the withdrawal factors of 7.38% at age 71 which rate increases thereafter, causes the principal in the RRIF to immediately decrease as such rates are higher than the low investment returns, 3 – 6 %, currently being generated. The forced reduction in the principal of the RRIF, exacerbated by the high withdrawal factors, causes future RRIF cash flow to decrease and be insufficient to meet the needs to pay increased living costs affected by inflation and higher medical and care facility costs often required in a retiree's last 5 years.

Such a change would allow seniors to take better control of their future retirement cash flow and likely make them less reliant on government assistance to pay future medical and care costs. Moreover, many individuals under retirement age are worried as to whether they will have sufficient income at retirement to meet living and medical costs and such a change will put all Canadians' minds better at ease.

These proposed changes in the RRIF Minimum Annual Withdrawal Factors will bring fairness to the income tax system, better matching future RRIF cash flow to the need by retirees for such funds. I, or a member of our committee, would like to appear before the Finance Committee when it is in Vancouver this fall.

Brooke Campbell