

# RRSPs have options built in

The whole idea behind a Registered Retirement Savings Plan is to provide you with steady income once your plan matures — which it does the day you turn 60.

This doesn't mean you must retire at 60. It simply means that you now have a few options as to what you want to do with the funds in your plan. Of course you can leave your RRSP intact, and go on making contributions, right up to the end of the year you turn 71.

But if you still haven't converted your plan by that time, your options run out. This means you'll have to take the whole thing in a lump sum — and pay tax on it right away. So that's a situation you may very well want to avoid.

Now, about your options. When your RRSP matures you can use the funds to buy one of three things: a life annuity; a "term certain" annuity; or a Registered Retirement Income Fund (RRIF). Or

you can buy an combination of those three. It's up to you.

- **Life annuity.** This can only be purchased from a life insurance company. The term may be for your life only ("straight life"), or for the joint lives of you and your spouse ("joint and last survivor"), with or without a guaranteed term. This guarantee can be any number of years you choose, but can not exceed (in years) 90 minus the age of the younger spouse. The longer the guaranteed term, of course, the lower the annuity payments will be.

- **Term certain annuity.** This generally pays more than the life annuity, everything else being equal. But as with any annuity, the shorter the term the higher the annuity payments you receive. You can buy this type of annuity from a life insurance company, a trust

company, or from other carriers of RRSP's — like banks.

- **Registered Retirement Income Fund.** Strictly speaking, the RRIF is not an annuity at all. As the name suggests, it's a "fund". These, too, are available through trust and insurance companies and credit unions. Here again, a RRIF can only be set up between the ages of 60 and 71. And the maximum term (in years) can not exceed 90 minus the younger spouse's age.

RRIF payouts are based on a specified fraction of the total fund each year. For example, if you set up a RRIF at the age of 60, this means it has 30 years to run. So the first year you get 1/30th of the total fund, the second year 1/29th, the third year 1/28th and so on until the fund is exhausted by the end of your 90th year.

But no matter what option you choose, shop around very carefully. Look for the one that pays the most for the longest period.

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