

Quick Tip

Beware of schemes before you access your LIF, LIRA or LRIF account

(NC)—The Ontario Securities Commission and the Financial Services Commission of Ontario (FSCO) are warning consumers about advertised “deals” promising early access to savings in locked-in accounts. There are at least two types of schemes.

In the first, companies claim to be able to help you unlock funds to deal with financial hardship, and they are just charging a fee to fill out forms that are provided by FSCO. FSCO provides staff that can help people access their locked-in accounts. All successful applicants pay a fee: two per cent of their withdrawal, a minimum of \$200 to a maximum of \$600. However, consumers don’t need to pay twice – they should be contacting FSCO first.

More information about unlocking your account in times of financial hardship is available at www.fSCO.gov.on.ca.

In the second scheme, “loans” are made using the locked-in account as collateral. A variation involves the purchase of shares in a private company using your locked-in account as security. Money may then be loaned to you against the shares of the company you have purchased. Taxpayers who get involved in these schemes may find that the monies from their locked-in account have disappeared and may also find themselves facing large, unexpected tax bills.

- News Canada

Consumer Advice

How to resolve a concern or question about a pension plan

(NC)—If you have a concern or question about your pension plan and have been unable to resolve it yourself, you can put that concern or question in writing and send it to the plan administrator. You should request that the response also be in writing.

To find out who administers your pension plan, you can log on to the website of the Financial Services Commission of Ontario (FSCO), the regulator of Ontario regulated pension plans, at www.fSCO.gov.on.ca click on Pensions and then click on Pension Plan Information Access. You will need your pension plan registration number, or the name of the plan or sponsor. You’ll be able to learn the name and address of the administrator and the custodian of the plan, the effective date, the fiscal year end, the plan type, the benefit type and the total active membership.

If you are unable to resolve your question with your plan administrator, FSCO can help. Write to FSCO asking for a review to see if the matter can be resolved satisfactorily. FSCO’s role in assisting with the resolution is to

ensure that the plan is being administered in compliance with the *Pension Benefits Act* (PBA) and Regulations, as well as the pension plan documents.

When writing to FSCO, outline the nature of the concern and include all relevant facts and documentation. You should also enclose a copy of any correspondence you have had with your pension plan administrator. In order to act on the request, FSCO often must share this material with the administrator. However, both the PBA and privacy legislation require FSCO to have your consent first, which you should provide in your letter to FSCO. Send your concern or question to: Financial Services Commission of Ontario, Pension Division, 5160 Yonge Street, 4th Floor, Box 85, Toronto, ON M2N 6L9.

When FSCO receives your request, you will get an acknowledgement and FSCO’s staff will handle the issue as quickly as possible. You will be advised of the outcome of the review.

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Did you know...?

There’s a provincial agency to regulate pensions

(NC)—The Financial Services Commission of Ontario (FSCO), an arm’s length agency of the Ontario Ministry of Finance, is responsible for regulating pension plans registered in the province. FSCO ensures that pension plans comply with minimum standards set out under the *Pension Benefits Act*. The mandate of FSCO’s Pension Division is to administer and enforce the *Pension Benefits Act* and Regulations, to protect the rights and benefits of pension plan members and to regulate pension plans in a fair, effective, efficient and responsive manner. FSCO takes enforcement action when required.

Information about pensions is available on FSCO’s website at www.fSCO.gov.on.ca.

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You may be able to unlock your LIF, LIRA or LRIF account in a financial emergency

(NC)—If you live in Ontario, you may be able to unlock a locked-in account which contains money transferred from your pension plan for certain expenses in times of serious financial hardship.

According to the Financial Services Commission of Ontario (FSCO), the regulator of pension plans, LIF, LIRA or LRIF account unlocking is a last resort and must be reserved as an alternative in particular circumstances when there is no other sufficient source of money. You cannot withdraw from your account for a trip to Europe, for example.

What is a locked-in account?

In general, any money transferred from an Ontario-registered pension plan into a locked-in account must remain “locked in” and can only be used to provide retirement income. There are three types of Ontario-regulated locked-in accounts:

- Locked-in retirement account (LIRA)
- Life income fund (LIF)
- Locked-in retirement income fund (LRIF)

When can I unlock my account?

Application for special access to these accounts may be made, using the appropriate FSCO unlocking form, in the following situations:

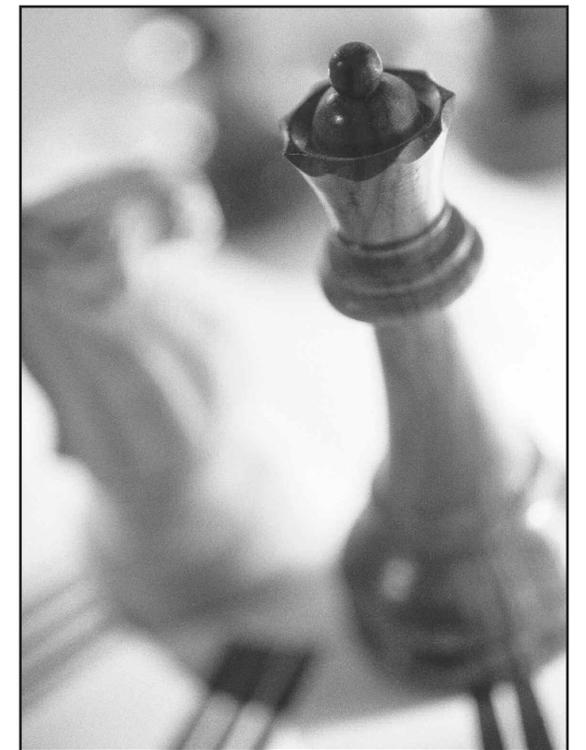
- You are facing specific types of financial hardship, such as the inability to pay your rent or mortgage.
- You have an expected income of \$28,066.67 or less (for 2006). This amount changes every year.
- Your life expectancy is two years or less, in the opinion of a physician licensed to practice medicine in Canada.
- You are at least 55 years old and the total value of the funds in all of your locked-in accounts is less than \$16,840 (for 2006).

Is there a fee for unlocking my account?

Yes. To partially offset FSCO’s administrative costs, successful applicants will be charged a fee equal to two per cent (minimum: \$200, maximum: \$600) of the amount the applicant is entitled to withdraw.

More information about unlocking your account, downloadable forms, and guides to filling them out are available on FSCO’s website at www.fSCO.gov.on.ca.

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Frequently Asked Questions

When and how can I unlock my LIF, LIRA or LRIF account?

(NC)—In Ontario, you may apply to the Financial Services Commission of Ontario (FSCO), the regulator of pension plans, to unlock your LIF, LIRA or LRIF account and withdraw money in certain situations.

What circumstances allow me to unlock my account based on financial hardship?

There are six qualifying circumstances for making an application to withdraw money from your locked-in LIF, LIRA or LRIF account, based on financial hardship:

1. **Low income** – Your expected total personal income before taxes for the following 12 months must be less than \$28,066.67 (in 2006). (Note: This amount changes every year.)
2. **Risk of eviction from your home** – You or your spouse have received a written demand from your creditor for money owed on a debt secured

against your residence. You need the money in order to avoid eviction.

3. **Risk of eviction from your rented residence** – You or your spouse have received a written demand for the payment of rent owed, and need the money to avoid eviction.
4. **You need the money to pay the first and last months’ deposits on a residence you wish to rent.**
5. **You need money to pay for medical treatment for you or your spouse, or any dependants of either of you** – The medical expenses you claim cannot be covered by a provincial health plan, your private health insurance, or any other source. You may claim for expenses already paid or for expenses you will incur in the future. You must provide a doctor’s letter stating that the medical treatment is necessary.

6. **You need money for residential renovations, alterations or construction to accommodate the use of a wheelchair, or other needs related to a disability or illness** – The illness or disability must affect you or your spouse, or a dependant of either of you. The renovations or alterations can be made to your home or the dependant’s home. The money can also be applied to the cost of including features to accommodate an illness or disability in the construction of a new home. You must provide a doctor’s letter stating the renovations, alterations or construction are necessary to deal with an illness or disability.

Where can I get an application form to unlock my account?

For application forms, guides and further information, log on to www.fSCO.gov.on.ca.

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Tip List

Important points to consider if you’re thinking of unlocking your LIF, LIRA or LRIF account due to financial hardship

(NC)—Before you apply to the Financial Services Commission of Ontario (FSCO), the regulator of Ontario regulated pension plans, to free up funds in your locked-in account, consider these points:

- Successful applications will be charged a fee equal to two per cent (a minimum of \$200 and a maximum of \$600) of the amount the applicant is entitled to withdraw, in order to partially offset FSCO’s administrative costs.
- If you are making an application based on financial hardship, you may be expected to use some of your assets to deal with the hardship. If you own eligible assets, regulations require that their value be deducted from the amount of money that you are applying to withdraw from your

locked-in account. (Assets that are exempt include your principal residence, a personally-operated business or farm to a limit of \$50,000, motor vehicles, essential tools of trade necessary to employment, and personal items such as clothing and jewellery.)

- If you are making an application to help a financial dependant, or a dependant of your spouse, the rules apply to the dependant’s assets as well.
- The regulations also require that you qualify to withdraw at least \$500 to deal with your financial hardship. FSCO cannot approve your application if you only qualify to withdraw less than \$500.
- Any money withdrawn from a locked-in account is no longer creditor-proof and may be seized by creditors.

• Money withdrawn from your locked-in account may be subject to an income tax withholding charge at the time the withdrawal is made.

• If you have a spouse, you *must* include his or her signed consent on your application to withdraw money from a locked-in account because of financial hardship, shortened life expectancy, or if you want to withdraw an amount at age 55.

• Withdrawing money from your locked-in account may affect your eligibility for certain government benefits, such as social assistance.

More information about locked-in LIF, LIRA or LRIF accounts is available online at www.fSCO.gov.on.ca.

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