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Locked-in Accounts

Segment on Withdrawals in Special Circumstances

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Hello, my name is Rebecca Hines and with me is my co-host Sharon Polischuk. We will now discuss withdrawals in special circumstances. For an overview of the webcast or information on a type of locked-in account, please click on the link appearing at the bottom of this screen. It will take you to our website where you will be able to make your selection.

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A withdrawal in cash or in some instances, a transfer to an RRSP, from any Ontario locked-in account may be made in the following special circumstances:

- Shortened life expectancy;
- Small amounts for individuals who are at least 55;
- Excess contributions above the ITA limit;
- Non-residents of Canada; and
- Financial hardship.

Please be aware that any money that is withdrawn from a locked-in account may be treated as taxable income under the Income Tax Act. In addition, a withholding tax may be applied. If you have any questions, you should ask your financial institution or the Canada Revenue Agency.

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An owner of a locked-in account who is suffering from an illness or physical disability likely to shorten his or her life expectancy to less than two years may apply to unlock and withdraw in cash some or all of the money in the account.

A licensed physician must provide a signed statement verifying that the person's life expectancy is less than two years. This can be done by the physician completing the verifying page in the FSCO pension Form 5 or supplying a separate letter.

If approved, the money must be paid in cash – it cannot be transferred to an RRSP or RRIF. Application for withdrawal must be made to the financial institution using a FSCO Form 5, with spousal consent if there is a spouse – with some exceptions - and must be submitted within 60 days of the date it was signed.

The individual who is applying is responsible for providing all relevant documentation. It is then up to the financial institution to be satisfied that all requirements have been met.

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An owner of a locked-in account may apply to unlock and withdraw in cash or transfer to an RRSP or RRIF all the money in the account if:

- he or she is at least 55 when he or she applies; and

- the value of all the assets in his or her Ontario locked-in accounts is less than 40% of the YMPE for the calendar year of the application.

For 2013, this amount is \$20,440 (that is 40% of \$51,100).

The value of the assets must be based on the most recent statement from the financial institution that holds the account.

The application must be made to the financial institution on FSCO Form 5. Spousal consent, if there is a spouse, with some exceptions, is required.

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An individual who has transferred to a locked-in account an amount that exceeds the limit under the ITA that may be transferred to a locked-in account may apply to withdraw the excess amount.

The individual can only withdraw the amount in cash – it cannot be transferred to an RRSP or RRIF.

The application must be made to the financial institution on FSCO Form 5. Spousal consent is not required.

The application must be accompanied by a written statement from the administrator of the former plan or the CRA that identifies the excess amount.

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An owner of a locked-in account who is a non-resident of Canada may apply to withdraw in cash all the money in their account.

The owner must have departed from Canada at least 24 months before making the application.

The application must be made on FSCO Form 5 to the financial institution holding the account, be accompanied by a spousal consent – with some exceptions - and a written confirmation from the CRA that the applicant is a non-resident for ITA purposes.

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Individuals who qualify under the prescribed circumstances of financial hardship may apply for special access to the money in their locked-in accounts.

The applicant must be the owner of the locked-in account and must make the application to the financial institution that holds and administers the locked-in account.

There are four categories of financial hardship and all applications must be made on the Form that applies to that category. Forms, User Guides and other resources on financial hardship unlocking are available on FSCO's website.

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The four categories of financial hardship are:

1. medical expenses;
2. arrears of rent or default on debt secured on a principal residence (such as a mortgage);
3. payment of first and last months' rent; and,
4. low expected income.

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Q1. Can withdrawals in special circumstances be made from any Ontario locked-in account?

- A) No, you can only apply if you have a LIRA or New LIF
- B) Yes, you can apply from any Ontario locked-in account
- C) No, you can only apply if you have an old LIF
- D) None of the above

The answer to Q1 is B. Yes, you can apply from any Ontario locked-in account.

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Q2. To whom do I apply?

- A) For all applications, to the financial institution
- B) For all applications, to the Superintendent
- C) The Superintendent for financial hardship, all others to the financial institution
- D) The financial institution for financial hardship and all others to the Superintendent
- E) None of the above

The answer to Q2 is A.

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For more information, you can visit our FSCO website using the links provided here. You may also call our FSCO contact centre at the number on the screen or send an e-mail to the address on the screen.

The rules which govern Ontario locked-in accounts can be found under four schedules in the regulations under the PBA:

- Old LIFs – schedule 1
- New LIFs – schedule 1.1
- LRIFs – schedule 2
- LIRAs – schedule 3

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This concludes our webcast on Locked in Accounts.

Thank you for your interest and we hope you have found the presentation to be helpful. Please remember to complete the survey as it will go a long way in ensuring future webcasts are helpful to you.

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