Moving Your Employer Pension Between Jobs

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As the pandemic slowly recedes, work-life balance trends emerge. A recent Angus Reid survey revealed that 19% of Canadians would quit or look for a new job if required to return to the office. 25% of survey participants stated they would look for new employment after returning to office.

If you have a pension at your current job, it’s important to understand the different ways to handle funds you’ve accrued before you move on. One option is transferring pension savings to an insurance company to purchase a life annuity. This can offer a predictable, recurring income stream after retirement, but investment decisions are handled solely by the fund management - and this decision is reversible.

There is another option that offers more individual control over investment choices and the timeframe for when to begin withdrawing (subject to certain restrictions). While it’s a little more complicated, this approach provides more flexibility, especially if an individual is not ready to retire and want the funds to keep growing.

Here are answers to some common questions:

What kind of pension do you have?

You will either have a Defined Contribution pension plan or a Defined Benefit pension. How and how much you can transfer depends on what you have been contributing to.

Where should you begin?

Your current pension administrator will calculate and transfer the commuted value of your pension to an LRSP (Locked-In Registered Retirement Savings Plan) or LIRA (Locked-In Retirement Account).

What happens next?

If you are 55 or older, up to 50% of your LRSP or LIRA can be unlocked and transferred to an RRSP or Registered Retirement Income Fund (RRIF). This means that you’re not subject to maximum withdrawals on that amount. As for the other 50%, you may be able to decrease your balance enough to unlock the remainder under the applicable provincial rules.*

What about taxes?

No taxes are owed when funds are transferred between registered accounts. However, withdrawals from an RRSP or RRIF, are considered fully taxable income.

When can you receive your retirement income?

Before receiving regular income from your investments, you will need to convert your funds to a LIF (Life Income Fund) or something similar. While provincial and age requirements will apply*, all Canadians 71 and older are required to convert LRSPs or LIRAs to a LIF.

Get trusted advice

Wise pension planning is critical to a successful financial future. It's important to determine the best cash flow options with a risk level that you are comfortable with. Working with a financial advisor can provide the clarity you need to make the best decisions. They can analyze your situation and make recommendations based on your unique goals and circumstances.

Call our office today [1] to start the conversation. We're here to help.

***Manitoba and Ontario pensions allow a LIF to be unlocked to transfer up to 50% to a non-locked-in retirement account after age 50 and Alberta at age 55. Beginning October 1, 2021, account holders aged 65 and older can fully unlock their Manitoba locked-in accounts. Up to 100% of a Saskatchewan pension can be transferred into a prescribed RRIF at age 55.**[1]

Sources:

[1] MoneySense: Transferring employer pensions to LIRAs, LIFs and RRSPs [2]

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