

Intelligence MEMOS



From: Luc Godbout
To: Chrystia Freeland, Minister of Finance
Date: February 14, 2022
Re: **WHY NOT 75 YEARS OLD?**

Some simple changes can both optimize the mechanics of pension plans while also encouraging people to extend their working careers.

The first would be adjusting the threshold age at which registered capital accumulation plans – such as the Registered Retirement Savings Plan (RRSP) – must be terminated. The rule now is age 71.

Before the end of that year, holders must transfer their RRSP or defined-contribution pension plan balances into a Registered Retirement Income Fund (RRIF) or a life annuity.

If not, the entire value is added to their taxable income in that year.

Those rules were meant to replicate traditional pension plans, which have age thresholds and provide annuities.

It's past time to revisit the [parameters of RRIF rules](#), including the 71-year-old age threshold that – briefly interrupted – has been in place since 1957, when RRSPs were invented.

The possibility of converting an RRSP into a RRIF rather than an annuity was introduced with the 1978 federal budget. Again, the age limit for conversion was set at 71.

However, in a difficult fiscal environment, the age 71 threshold was reduced to 69 in the 1996 federal budget. This reverted to age 71 in the 2007 federal budget.

This means that since the creation of the RRSP in 1957, the age limit of 71 has never been raised.

Yet, since 1957, the life expectancy of seniors in Canada has improved significantly.

Life expectancy at age 65 was 14.5 years during the period 1955-1957.

It improved to 20.9 years in 2018-2020.

But the RRIF rules have not moved.

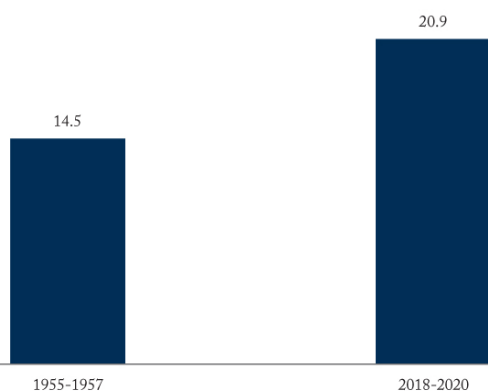
Given the sharp increase in life expectancy, the age limit of 71 years for converting an RRSP into a RRIF needs to be lifted, and a sensible regime of regular review created. Such a periodic review should also apply to the RRIF minimum disbursement grid.

And, given that the Old Age Security Benefit (OAS) for beneficiaries aged 75 and over will be increased by 10 percent this July, why not take the opportunity to harmonize other elements around our longer living 75-year-olds?

For example, extend the possibility of postponing OAS currently possible until age 70 to age 75? Or even move the age limit for converting an RRSP into a RRIF [from 71 to 75](#)?

As noted, this type of change would optimize the mechanics of pension plans, and also encourage Canadians to remain in the workforce, which improves health and also helps with Canada's looming labour shortage.

Changes in Life Expectancy at Age 65 in Canada



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Source: Statistics Canada.