

**BULLETIN NUMBER:** PENS 15-005

**TITLE:** LIFE INCOME FUND (LIF) INTEREST RATE AND WITHDRAWAL CALCULATIONS

**LEGISLATION:** PENSION BENEFITS STANDARDS ACT

**DATE:** SEPTEMBER 2015

The new *Pension Benefits Standards Act* (PBSA) and Pension Benefits Standards Regulation (Regulation) come into force on September 30, 2015.

The maximum payable under a life income fund (LIF) will change when the new PBSA and Regulation come into force. This bulletin describes the maximum amounts payable from a LIF that is opened on and after September 30, 2015.

### Life Income Fund (LIF) Interest Rate & Withdrawal Calculations

Long Term (10+ Years) Marketable Government of Canada Bonds (Average Yields)  
CANSIM Series V122487 - November of Prior Year

Year	Rate	Year	Rate	Year	Rate
2006	4.20%	2011	3.60%	2016	2.17%
2007	4.03%	2012	2.61%		
2008	4.22%	2013	2.20%		
2009	4.00%	2014	3.01%		
2010	3.84%	2015	2.36%		

**Calculate the BC LIF Maximum Withdrawal Factors using the following formulas:**

**T** = [90 minus the Owner's age] and;  
**R** = the greater of the rate shown above and 6.00%

The factor "**F**" refers to the value on the first day of the fiscal year (which after the initial year will always be January 1) of a \$1/year term certain annuity to age 90.

a) Use this formula to calculate "**F**" for all ages less than 75:

$$F = \frac{(1 + R) \times [1 - 1/(1+R)^{15}]}{R} + \frac{1.06 \times [1 - 1/(1.06)^{(T-15)}]}{0.06 \times (1 + R)^{15}}$$

b) Use this formula to calculate F for all ages 75 and older:

$$F = \frac{(1 + R) \times [1 - 1/(1+R)^T]}{R}$$

**The maximum withdrawal amount is calculated as the greater of:**

- A. The preceding year's investment return in the LIF; and
- B. The amount determined by taking the LIF balance at the beginning of the year and multiplying it by the BC Maximum Percentage shown in the table below.

**NOTE:** When a LIF is first established, A is 0 and B is the LIF balance on the day the LIF is created.

Age	F	BC Maximum Percentage (1/F)	Age	F	BC Maximum Percentage (1/F)
50	15.9491	6.27%	70	12.1581	8.22%
51	15.8460	6.31%	71	11.8276	8.45%
52	15.7368	6.35%	72	11.4773	8.71%
53	15.6210	6.40%	73	11.1059	9.00%
54	15.4982	6.45%	74	10.7122	9.34%
55	15.3681	6.51%	75	10.2950	9.71%
56	15.2302	6.57%	76	9.8527	10.15%
57	15.0840	6.63%	77	9.3838	10.66%
58	14.9291	6.70%	78	8.8869	11.25%
59	14.7648	6.77%	79	8.3601	11.96%
60	14.5907	6.85%	80	7.8017	12.82%
61	14.4062	6.94%	81	7.2098	13.87%
62	14.2105	7.04%	82	6.5824	15.19%
63	14.0032	7.14%	83	5.9173	16.90%
64	13.7834	7.26%	84	5.2124	19.19%
65	13.5504	7.38%	85	4.4651	22.40%
66	13.3034	7.52%	86	3.6730	27.23%
67	13.0416	7.67%	87	2.8334	35.29%
68	12.7641	7.83%	88	1.9434	51.46%
69	12.4699	8.02%	89+	1.0000	100.00%

For information on minimum withdrawal factors for Registered Retirement Income Funds, please contact the Canada Revenue Agency.

## **LIFs Opened Before September 30, 2015**

There is no requirement for financial institutions to recalculate the maximum payable from a LIF that was opened before September 30, 2015, although the financial institution may do so, if they wish.

This means that the maximum amount that may be paid will be determined in accordance with the requirements of the legislation at the date the LIF was opened.

At the Financial Institutions Commission, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Pension Benefits Standards Act*, Regulations and other pertinent legislation. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.