Locked-in Plans
Understanding the Nova Scotia Pension Legislation

If you have funds in a “Locked-in” Plan governed by the Nova Scotia pension legislation, the following will provide an overview of certain requirements and procedures for you to access your funds. It is important to note that the pension jurisdiction is determined by the pension administrator and is not dictated by your province of employment or residence. Therefore, you may hold locked-in funds from the same or different employers that are subject to different pension legislations.

It should be noted that these rules are subject to change at any time and the Nova Scotia pension legislation should be reviewed prior to initiating an unlocking request. Where there is a discrepancy between the information contained in this article and the information provided by the applicable pension legislation, the latter takes precedence.

Year’s Maximum Pensionable Earnings (YMPE): Unlocking provisions are often based on the YMPE which for 2020 is $58,700.

Locked-in Retirement Account (LIRA): A LIRA is similar to a Registered Retirement Savings Plan (RRSP), however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn. The plan holder may convert to a Life Income Fund (LIF) or purchase an annuity as of age 55 and must do so no later than December 31st of the year in which they turn 71.

Life Income Fund (LIF): A LIF operates similarly to a Registered Retirement Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum.

Minimum Retirement Age: 50 years old.

One-time unlocking:
- This provision is not available under Nova Scotia Pension Legislation.

Small balance:
- A plan holder who reached the age of 65 may withdraw the entire balance of their account if the total of all locked in plans or LIFs subject to pension legislation is less than 50% of the YMPE during the year of the request.
- The plan holder and their spouse, if applicable, must complete Form 11: Withdrawal from LIRA or LIF.

Please visit: https://www.novascotia.ca/finance/en/home/pensions/regulation.aspx
Financial hardship:

- A plan holder may be eligible for a financial hardship withdrawal if the following situations occur:
  - Income from all sources before taxes is below 66 2/3% of YMPE ($39,133 for 2020) under the Canada Pension Plan
  - Mortgage Arrears
  - Rental Arrears
  - Medical and/or Dental Expenses
- The plan holder and their spouse, if applicable, must complete Form 12: Financial Hardship Application.
- Supporting documentation may be required and is detailed on the application form.
- The form and any supporting documents must be mailed to the address indicated on the application.

Non-resident withdrawal:

- The plan holder must be a non-resident for Canadian income tax purposes and obtain a written confirmation from the Canada Revenue Agency (CRA).
- The plan holder must not have been in Canada for at least 24 months.
- The plan holder will be allowed to unlock the full value of their LIRA or LIF account.
- The plan holder and their spouse, if applicable, must complete Form 11: Withdrawal from LIRA or LIF.

Temporary income:

- Permitted only with a LIF.
- The plan holder must be between the ages of 55 and 65.
- The maximum temporary income available is the lesser of:
  - (50% of the YMPE) – T
  - F x B x D*
*If the amount is less than 50% of YMPE, then the maximum temporary income paid out of a LIF must be the lesser of the following amounts:
  - (50% of the YMPE) – T
  - Balance of the LIF at the beginning of the fiscal year plus any money transferred to the LIF after the start of the fiscal year minus any money transferred from another LIF to the LIF in the same year.

- The plan holder and their spouse, if applicable, must complete Form 10: Application for Temporary Income from a Life Income Fund (LIF).

Reduced life expectancy:

- A duly qualified physician must provide a letter certifying that a mental or physical disability has considerably shortened the life expectancy of the plan holder to less than two years.
- The plan holder can withdraw a portion or the full value of the account. Withdrawals are subject to applicable federal, provincial or non-resident withholding taxes.
- The plan holder and their spouse, if applicable, must complete Form 11: Withdrawal from LIRA or LIF.

At death:

- If there is a surviving spouse or common-law partner then the funds will be transferred to them on an unlocked basis.
- If there is no spouse or common-law partner then the plan proceeds are paid to the designated beneficiary or the annuitant’s estate.
Considerations

Review the unlocking rules with your TD advisor and consider how unlocking may fit within your overall wealth plan and assist you in meeting your retirement goals. Ensure you also speak with a tax advisor about the implications of a withdrawal.