

**PROVINCE OF ONTARIO
ADDENDUM TO THE LIFE INCOME FUND (LIF)
AS ESTABLISHED UNDER SCHEDULE 1.1**

Annuitant's Name (Please print)

Social Insurance Number

LIF Account Number

Upon receipt of locked-in funds, the Trustee further agrees to, and the Annuitant acknowledges, the following:

1. **Definitions.** In this Addendum:

- (a) **Act** means the *Income Tax Act* (Canada), as amended from time to time;
- (b) **LIF** means a "LIF" or "life income fund" as defined in Pension Legislation;
- (c) **life annuity** means "life annuity contract" as defined in Pension Legislation that conforms with the Act and Pension Legislation;
- (d) **LIRA** means a "LIRA" or "locked-in retirement account" as defined in Pension Legislation and, where those terms are not defined, means a registered retirement savings plan that satisfies the conditions under Pension Legislation for receiving funds that originate from an RPP;
- (e) **LRIF** means an "LRIF" or "locked-in retirement income fund" as defined in Pension Legislation;
- (f) **Pension Legislation** means the *Pension Benefits Act* (Ontario) and its Regulations, governing locked-in funds transferred or to be transferred to the Fund directly or indirectly from an RPP;
- (g) **RPP** means a registered pension plan governed by Pension Legislation or established by other legislative authority;
- (h) **Spouse** means a "spouse" as defined in Pension Legislation; provided, however, it only includes a person recognized as a spouse or common-law partner for the purposes of the Act;
- (i) **Trustee** means Canadian Western Trust Company;
- (j) The terms "Annuitant" and "Fund" shall have the same meanings as are respectively given to them in the Declaration of Trust; and
- (k) Words defined in Pension Legislation have the same meanings in this Addendum unless otherwise defined herein.

2. **Compliance.** If locked-in funds are transferred or will be transferred to the Fund, directly or indirectly, from an RPP, the additional provisions of this Addendum form part of the Declaration of Trust. In case of any inconsistency between this Addendum and the Declaration of Trust, this Addendum will apply. The Trustee will comply with all relevant provisions of Pension Legislation.

Subject to paragraphs 5, 6, 16, 17, 19, 20, 21, and 22 of this Addendum, all money, including all investment earnings, that is subject to any transfer to or from the Fund as defined by the Declaration of Trust, is to be used to provide or secure a pension that would, but for the transfer and previous transfers, if any, be required by the Act and Pension Legislation.

3. **Transfers to the Fund.** Only property representing locked-in funds originating, directly or indirectly, from an RPP, a LIRA, a life annuity the capital of which originated from an RPP, or another source permitted by the Act and Pension Legislation from time to time, may be transferred to the Fund. The

Trustee will not accept any transfers to the Fund from a source or in circumstances not permitted by Pension Legislation.

Within 30 days after receipt of a transfer to the Fund, the Trustee will provide the Annuitant with the information as specified in the Pension Legislation.

4. **Investments.** The investments held in the Fund must comply with the investment rules imposed by the Act for a registered retirement income fund.
5. **Withdrawals.** Subject to paragraphs 6, 10, 12, 16, 17, 19, 20, 21, and 22 of this Addendum, no withdrawal, commutation or surrender of property is permitted in respect of this Fund except as may be permitted by the Act and Pension Legislation from time to time. Any such payment may only be made after the Trustee receives a waiver, if required by Pension Legislation, from the Spouse in the form and manner required by that legislation. Any transaction that is contrary to this paragraph is void.
6. **Disability Payments.** The Annuitant may apply to have the property of the Fund withdrawn as a lump sum payment or series of payments where the life expectancy is likely to be shortened to less than two years due to mental or physical disability, as evidenced by the written opinion of a qualified medical practitioner.

Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.

7. **Fiscal Year of the Fund.** The fiscal year of the Fund ends on December 31 of each year and will not exceed 12 months.
8. **Value of the Fund.** For the purpose of a transfer of assets, the purchase of a life annuity contract, a payment or transfer on the death of the Annuitant, or transfer to the Spouse on marriage breakdown, the value of the contract shall be the aggregate market value of the securities held in the Fund as of the market closing immediately prior to such payment or transfer.

The Trustee, to establish the value of the Fund, will use a recognized pricing service, contact the issuer for value, or use the Financial Post or other leading financial papers. In the case of a purchase of a life annuity, all assets would be sold at market value on the date of sale.

9. **Annual Information Statement.** The Trustee will provide the Annuitant with the information as specified in Pension Legislation.
10. **Payment of Income.** The Annuitant will be paid an income, the amount of which may vary annually and which will commence not later than the last day of the second fiscal year of the Fund. After receipt of the information specified in paragraph 9, the Annuitant is to establish the amount of income to be paid during each fiscal year of the Fund at the beginning of that fiscal year and after the receipt of the information as outlined in Pension Legislation. If the Annuitant fails to establish the amount of income to be paid during each fiscal year of the Fund, the minimum amount required under the Act shall be deemed to be amount to be paid.

If the Trustee guarantees the rate of return of the Fund over a period that is greater than one year and that ends at the end of a fiscal year, the Annuitant may establish the amount of income to be paid during that period at the beginning of that period. Where the amount of income to be paid to the Annuitant is fixed at an interval of more than one year, paragraphs 11, 12, and 13 of this Addendum will apply with such modifications as the circumstances require to determine, at the date of the beginning of the first fiscal year of the Fund in the interval, the amount of income to be paid for each fiscal year in that interval.

11. **Determination of Income to be Paid.** The amount of income paid during a fiscal year of the Fund may not be less than the minimum amount required to be paid under the Act and will not exceed the greater of:

A) M as determined in accordance with the following formula:

$$M = C/F, \text{ where}$$

C = the balance of the money in the Fund on the first day of the fiscal year; and

F = the value, at the beginning of the fiscal year, of a pension or guaranteed amount of which the annual payment is \$1 payable at the beginning of each fiscal year between that date and December 31 of the year during which the Annuitant reaches the age of 90 years

F will be calculated by using:

- (a) an interest rate of not more than 6% per year; or
- (b) for the first 15 years of the operation of the contract, an interest rate exceeding 6% per year if that rate does not exceed the interest rate obtained on long-term bonds issued by the Government of Canada for the month of November preceding the year of valuation, as compiled by Statistics Canada and published in the Bank of Canada Review as CANSIM Series B-14013, and using an interest rate not exceeding 6% in subsequent years;

or

B) the preceding year's investment earnings for the Fund, if there was a preceding year.

12. **Income to be Paid Out in the Initial Year.** For the initial fiscal year of the Fund, the minimum amount to be paid, as referred to in paragraph 11 of this Addendum, will be set at zero. The maximum amount (M) specified in that paragraph 11 will be adjusted in proportion to the number of months in the fiscal year divided by 12, with any part of an incomplete month counting as one month.

13. **Transfers In During the Fiscal Year.** Where the money in the Fund is derived from money transferred, directly or indirectly, during the first fiscal year from another LIF or LRIF of the Annuitant, the maximum amount (M) in paragraph 11 of this Addendum is equal to zero with respect to that money, except to the extent that the Act requires the payment of a higher amount.

If, in any fiscal year of the Fund, an additional transfer is made to the Fund and that additional transfer has never been under a LIF before, an additional withdrawal will be allowed in that fiscal year. This additional amount of withdrawal will not exceed the maximum amount that would be calculated under this Addendum if the additional transfer were being transferred into a separate LIF and not this Fund, with paragraph 12 applying.

14. **Payments after Marriage Breakdown.** The property of the Fund may be subject to division under family law and Pension Legislation. The Trustee will make a payment or payments out of the Fund to the extent and in the manner permitted or required by applicable law:

- (a) to effect a division of property, provided the payment is made pursuant to a court order or domestic agreement under applicable marital property legislation; or
- (b) pursuant to an execution, seizure, attachment or other process of law in satisfaction of an order for support or maintenance.

Within 30 days after a payment out of the Fund, the Trustee will provide the Annuitant with the information as specified in Pension Legislation.

15. **Beneficiary Designation.** The designation of a person other than the Annuitant's Spouse as the beneficiary of the Fund will not be valid if the Annuitant has a Spouse who is entitled to survivor benefits under the Fund because of Pension Legislation.
16. **Death of Annuitant.** Following the death of the Annuitant, the property of the Fund will be paid to the surviving Spouse of the Annuitant. The surviving Spouse may instruct the Trustee to pay out the property of the Fund in cash or to transfer the property of the Fund to a registered retirement savings plan, a registered retirement income fund, or life annuity as permitted by Pension Legislation and paragraph 60(l) of the Act.

If there is no surviving Spouse, the property of the Fund will be paid to the person designated as beneficiary of the Fund, or if no such person has been designated, to the legal representative of the deceased Annuitant's estate.

17. **Transfers from the Fund.** Subject to any restrictions imposed by the Act and by Pension Legislation, and after payment to the Annuitant of the minimum amount for the year, the property of the Fund may be transferred to a LIF established under Schedule 1.1 or used to purchase a life annuity in accordance with paragraph 60(l) of the Act. Before transferring property of the Fund, the Trustee will:
- (a) confirm that the transfer is permitted under Pension Legislation and the Act;
 - (b) write to the issuer of the recipient plan to notify it of the locked-in status of the property being transferred and the pension legislation that governs the property; and
 - (c) not permit the transfer unless the issuer of the recipient plan agrees to administer the transferred property according to Pension Legislation.

If the Trustee does not comply with the above, and the issuer of the recipient plan fails to pay the money transferred in the form of a pension or in the manner required or permitted by Pension Legislation, the Trustee will provide or ensure the provision of the pension in a manner and in an amount that would have been provided had such property not been paid out.

Where the Fund holds identifiable and transferable securities, the transfer or purchase may, unless otherwise stipulated, at the option of the Trustee and with the consent of the Annuitant, be effected by remittance of the investment securities of the Fund. The Trustee will make the transfer within 30 days of the later of the receipt from the Annuitant of the properly documented transfer request and the maturity of the investment to be transferred.

If, prior to the transfer, the minimum required payment for the fiscal year, by reason of the application of paragraph 11, has not been satisfied, the Trustee will withhold adequate funds to satisfy this minimum payment requirement in accordance with paragraph 146.3(2)(e.1) or (e.2) of the Act.

18. **Life Annuity.** The Annuitant is permitted to transfer all or a part of the balance of the Fund to purchase a life annuity that meets the conditions set out in Pension Legislation. If the Annuitant has a Spouse on the date payments under the life annuity begin, the life annuity must be established for the lives jointly of the Annuitant and the Annuitant's Spouse, unless the Annuitant and the Spouse have provided a waiver in the form and manner required by Pension Legislation. Where the surviving Spouse is entitled to payments under the life annuity after the Annuitant's death, those payments must be at least 60 percent of the amount to which the Annuitant was entitled prior to the Annuitant's death. The life annuity may not differentiate based on gender except to the extent permitted by Pension Legislation.
19. **Option to Withdraw Small Balances.** The Annuitant may apply to the Trustee for a lump sum payment equal to the value of the entire contract if the Annuitant is at least 55 years old and the value of the Annuitant's assets in all LIRAs, LIFs, and LRIFs governed by Pension Legislation is less than 40 percent of the year's maximum pensionable earnings under the Canada Pension Plan for that calendar

year. Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.

20. **Option to Withdraw 50%.** The Annuitant may apply to the Trustee for a lump sum payment or a transfer to an RRSP or a RRIF of up to 50% of the total market value of the assets transferred into the contract within 60 days of the transfer of the Annuitant's assets into the Fund. Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.
21. **Option to Withdraw Due to Financial Hardship.** The Annuitant may apply to the Trustee for a lump sum payment of not less than \$500 in cases of financial hardship as specified in Pension Legislation. Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.
22. **Option to Withdraw due to Non-Residency (Permanent Departure from Canada).** The Annuitant may apply to the Trustee for a lump sum withdrawal if the Annuitant has moved away from Canada permanently and has been absent from Canada for at least 2 years. The Annuitant must provide written evidence that Canada Revenue Agency has determined that the Annuitant has become a non-resident for the purposes of the Act.

Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.

23. **Payments or Transfers Contrary to Pension Legislation.** If property is transferred or paid out of the Fund contrary to Pension Legislation, the Trustee will ensure that the Annuitant receives a life annuity in an amount and, if required by Pension Legislation, in a manner that would have been provided if the property had not been transferred or paid out of the Fund.
24. **Prohibition.** The property of the Fund may not be assigned, charged, alienated, anticipated or given as security or subjected to execution, seizure or attachment, except as permitted by Pension Legislation. A transaction that is contrary to this paragraph is void.

25. **Amendments.** From time to time, the Trustee may amend the Declaration of Trust (including this Addendum), if the amendment does not disqualify the Fund as a LIF and if the amendment is filed with and approved by Canada Revenue Agency and applicable provincial authorities. The Trustee will provide the Annuitant with 90 days written notice (including notice of the Annuitant's entitlement to transfer the property out of the Fund) of any amendment that reduces benefits under the Fund.

Signature of Annuitant

Date

Accepted by:
Canadian Western Trust Company
600 – 750 Cambie Street
Vancouver, BC V6B 0A2

Authorized Signature

TO BE COMPLETED BY THE ANNUITANT:

CURRENT MARITAL STATUS:

(This data is necessary in order to complete prescribed government forms.)

☐ Single ☐ Married ☐ Common law ☐ Divorced ☐ Separated

Spousal Information:

Name: _____

SIN: _____ Birth Date: _____