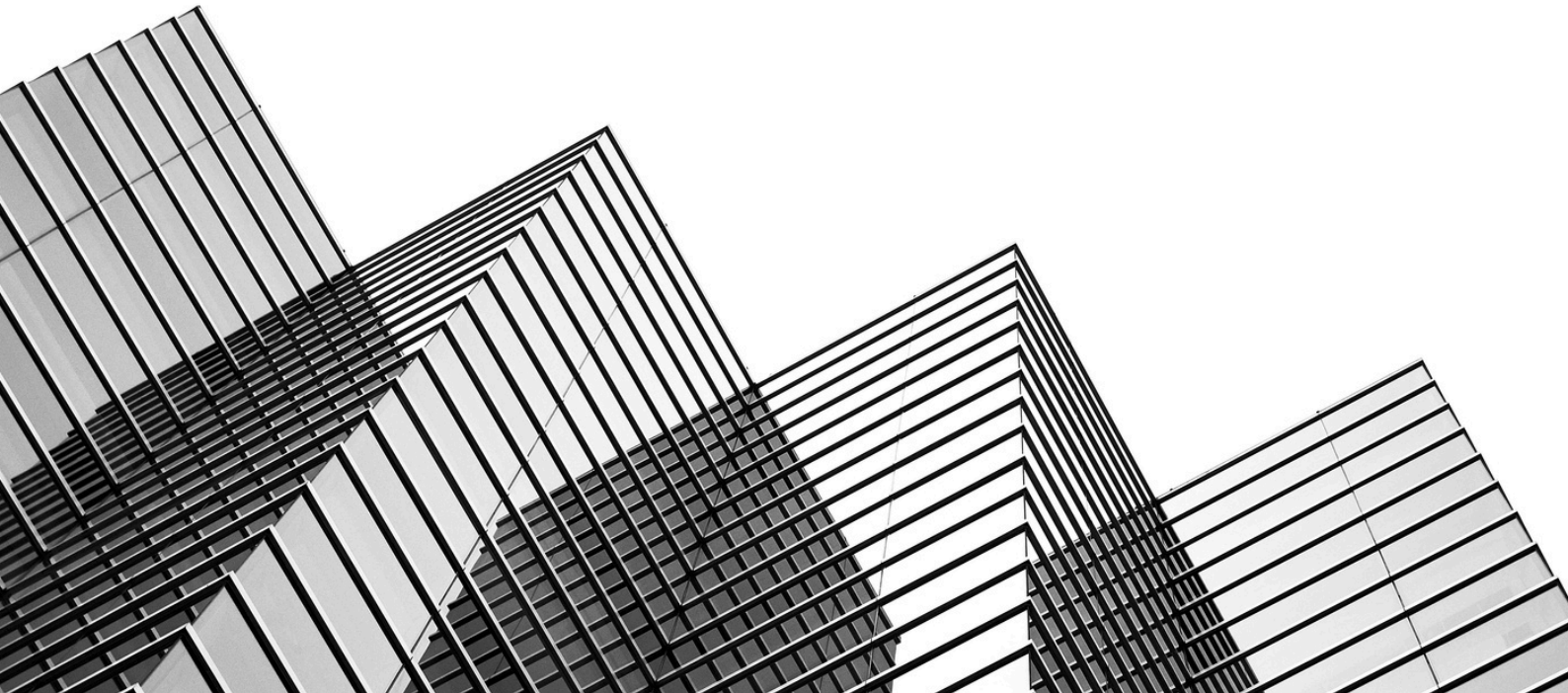

LIRA vs RRSP: Which One is Right for You?



Lionspoint

Financial Services

A comparison guide explaining the benefits and
restrictions of each option



Lionspoint Financial Services
1 West Ave South
Hamilton, ON
L8N 2R9

289-408-8664
info@lionspoint.ca
www.lionspoint.ca

Registered Retirement Savings Plan (RRSP) vs. Locked-In Retirement Account (LIRA)

When planning for retirement in Canada, it's important to understand the differences between an RRSP (Registered Retirement Savings Plan) and a LIRA (Locked-In Retirement Account). While both accounts serve as tax-advantaged vehicles for retirement savings, they have distinct benefits and restrictions.

Feature	RRSP	LIRA
Purpose	General retirement savings	Pension savings transferred from an employer-sponsored plan (e.g., DCPP or DB Plan)
Contributions	Contributions allowed up to annual RRSP limit	No direct contributions; only transfers from a pension plan
Tax Treatments	Contributions are tax-deductible; withdrawals are taxable	Funds grow tax-deferred; withdrawals are taxable
Withdrawal Flexibility	Withdraw anytime (subject to tax)	Locked-in until retirement age, with limited exceptions
Conversion Requirement	Must be converted to RRIF or annuity by age 71	Must be converted to LIF, RLIF, or annuity by provincial/federal rules
Early Withdrawal Options	Home Buyers' Plan (HBP) and Lifelong Learning Plan (LLP)	Rare, but financial hardship provisions may apply depending on jurisdiction
Creditor Protection	Limited (varies by province)	Often greater protection due to pension rules

Note:

This information is provided for educational purposes only and does not constitute financial, tax, or legal advice. Regulations vary by province and are subject to change. Speak with a qualified financial advisor or tax professional before making investment decisions.

For personalized advice on RRSPs, LIRAs, or your overall retirement strategy, feel free to reach out!

Key Benefits & Restrictions

RRSP Benefits

Contributions are tax-deductible, reducing taxable income.

Withdrawals can be made at any time, though they are subject to income tax.

Flexible investment options including stocks, bonds, ETFs, and mutual funds.

Can be used for first-time home purchase (HBP) or education (LLP) without immediate tax consequences.

RRSP Restrictions

Withdrawals are fully taxable as income in the year they are taken.

Must be converted to an RRIF or annuity by age 71, requiring mandatory minimum withdrawals.

LIRA Benefits

Provides long-term retirement security as funds remain locked-in.

Funds grow tax-deferred, allowing for potential compounding.

Typically offers stronger creditor protection due to pension legislation.

LIRA Restrictions

No direct contributions; only funds transferred from a pension plan.

Withdrawals are restricted until specific retirement age (usually 55 or later, depending on provincial/federal rules).

Limited options for early access, with some hardship exemptions.

Must be converted to an income stream (LIF, RLIF, or annuity) by the mandated age.

Which One is Right for You?

If you want flexibility in accessing your retirement funds and maximizing tax deductions, an RRSP is a good choice.

If your funds come from a locked-in pension plan and you prefer structured long-term retirement income, a LIRA is necessary.

If you hold a LIRA and want flexibility, check if you qualify for unlocking options based on financial hardship, small balance exemptions, or other provincial rules.

