AWC RRIF

Registered Retirement Income Fund Information

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ALTA WEST™ CAPITAL

WHAT IS A RRIF?

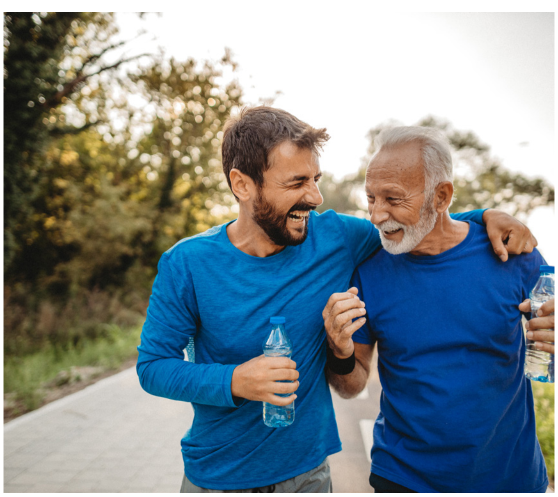
Think of a RRIF (pronounced "riff") as the older sister of your RRSP – there are several similarities between the two plans. Just like with an RRSP, you can defer paying tax on your investments in a RRIF while they grow. Also, just like an RRSP, a RRIF can hold a variety of investments.

A RRIF gives you the flexibility to liquidate some of your funds if you need extra cash, while still letting you grow your investments and postpone your tax bill. You can own more than one RRIF, and you can withdraw more than the minimum if you need it (keeping in mind that doing this will deplete your RRIF faster).

WHEN SHOULD I OPEN A RRIF?

CRA requires Canadians to convert their RRSPs into RRIFs by December 31 of the year they turn 71. However, you may want to do it sooner. Many people think they can't open a RRIF until they're 71, but you could do it at 30 if it makes sense with your personal situation. If you retire early, take a sabbatical or break from work due to a family emergency, then it may be beneficial to convert your RRSP into a RRIF, especially since your loss of income will likely mean you'll be in a lower tax bracket.

RRIFs require minimum annual withdrawals based on your age (starting the year after you open your account).



SETTING UP A RRIF:

You set up a registered retirement income fund (RRIF) account through a financial institution such as a bank, credit union, trust or insurance company. If you already have an RRSP account with Olympia Trust Company, the account will automatically be converted into a RRIF. Olympia Trust Company will notify you that your RRSP will be converted into a RRIF and will then ask you some questions regarding the amount you wish to receive and when. Should you need any help with these forms, feel free to contact Investor Relations and we will be happy to assist you.

If you hold an RRSP with Computershare, they will **not** notify you that your account needs to be converted into a RRIF. Please be sure to notify AWC the year you turn 71; we will assist you in the conversion of the account.

HOW DOES A RRIF WORK?

RRIFs differ from RRSPs significantly when it comes to withdrawals. Because the tax bill on your retirement savings has been deferred – not eliminated – first through your RRSP and then your RRIF, the government will eventually get its due. RRIFs require minimum annual withdrawals based on your age (starting the year after you open your account), and you must continue to make these minimum withdrawals until no funds remain. The financial institution will calculate your minimum withdrawal dollar amount every year. As you gradually draw down your savings, the balance can remain and grow tax-free in your RRIF.

You can have more than one RRIF and you can have self-directed RRIFs. You may want to set up a self-directed RRIF if you prefer to build and manage your own investment portfolio by buying and selling a variety of different types of investments. The rules that apply to self-directed RRIFs are generally the same as those for RRSPs.

Once the RRIF is established, there can be no more contributions made to the plan nor can the plan be terminated except through death or full withdrawal.

Note: If your spouse or common-law partner is younger than you, you can make your RRIF last longer by basing your withdrawals on your spouse's age rather than yours. If you choose this option, you'll need to register this information when you first open your RRIF account.

WHAT IF I DON'T NEED THE MONEY RIGHT AWAY?

You must take out at least the minimum required by CRA. You will be taxed whenever you take money out of your RRIF. However, if you don't need the cash immediately, there are ways to make the most of your required withdrawals. For example, if you have the contribution room, you can put the money in a tax free savings account (TFSA) so that it can continue to grow tax-free. You could also put it in non-registered investments, but be prepared to pay tax on the investment growth.

GREATEST BENEFITS OF THE RRIF:

RRIFs let your spouse inherit your retirement savings tax-free, easing some of the financial pressure your absence may cause.

1. RRIFs can hold a variety of assets, so you can keep your investments diversified.
2. While investing in your RRIF, your money can continue to grow tax-free, letting you keep your savings working for you throughout your retirement.

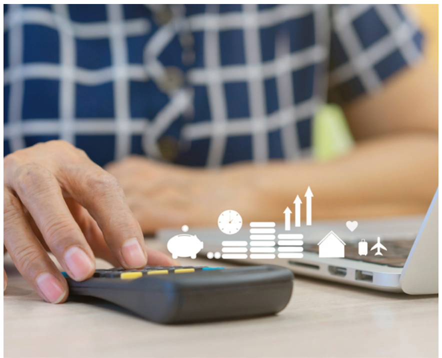
MINIMUM RRIF WITHDRAWALS:

AGE AT THE START OF YEAR	RRIFS SET UP AFTER THE END OF 1992	AGE AT THE START OF THE YEAR	RRIFS SET UP AFTER THE END OF 1992
71	5.28%	81	7.08%
72	5.40%	82	7.38%
73	5.53%	83	7.71%
74	5.67%	84	8.08%
75	5.82%	85	8.51%
76	5.98%	86	8.99%
77	6.17%	87	9.55%
78	6.36%	88	10.21%
79	6.58%	89	10.99%
80	6.82%	90	11.92%

**Keep in mind that different rules apply for RRIFs that were set up prior to the end of 1992*

WHAT HAPPENS TO MY RRIF WHEN I DIE?

You may want to put some consideration into this depending on your needs and your own personal circumstances. You should consult your accountant and seek advice for your individual situation.



It is important to name a beneficiary for your RRIF. This can possibly avoid probate fees on your estate as your RRIF is not included in the value of your estate if your beneficiary is your spouse or a financially dependent child or grandchild.

Some general tips and rules are outlined below:

General Rule: Deceased Annuitant

When the annuitant of a RRIF dies, the CRA considers what the annuitant receives immediately before death; an amount equal to the fair market value of all the property held in the RRIF at the time of death. The amount and all other amounts the annuitant received from the RRIF in the year have to be reposted on the annuitant's income tax and benefit return for the year of death.

A beneficiary will not have to pay tax on any amount paid out of the RRIF if it can reasonably be regarded as having been included in the deceased annuitant's income.

- **If you do not name a beneficiary:** Your RRIF will be included in the calculation of probate fees on your estate. The value of your RRIF will also be included as income on your final tax return. That means the beneficiaries of your estate may get less money after all the income taxes and probate fees are paid.

- **If you name a beneficiary who is not one of the qualified individuals:** If you name someone other than your spouse, a financially dependent child or a financially dependent grandchild as a beneficiary on your RRSP/RRIF, then the RRSP/RRIF will be deregistered and the full market value will be transferred to the named individual. However, your estate will be responsible for paying the taxes on the RRSP/RRIF, which could reduce the amount of your estate value that other beneficiaries receive under your Will.

- **If you do name a beneficiary and your beneficiary is:**
  - your spouse
  - a financially dependent child or grandchild who is under 18, or
  - a financially dependent child or grandchild of any age who is infirm.

  Your RRIF won't be included in the calculation of probate fees on your estate. Your estate won't have to include the RRIF's value on your final tax return or pay income tax.

IF THE BENEFICIARY IS YOUR SPOUSE?

The rules depend on whether you name your spouse as the successor annuitant of your RRIF.

1. **If your spouse is the successor annuitant:** Your spouse takes over your RRIF and automatically starts receiving your RRIF payments. They won't have to make any changes to your RRIF investments or incur any fees.

2. **If your spouse is not the successor annuitant:** Your RRIF will be collapsed and the investments sold. As the beneficiary, your spouse can have the money from your RRIF rolled over to their RRSP or RRIF. There may be some disadvantages to your spouse as:
   - It may not be a good time to sell investments; markets may be down.
   - There may be selling costs.
   - There may be a lot of paperwork and worry for your spouse at a difficult and stressful time.

You beneficiary can buy a term annuity and pay tax on the payments they recieve.

IF YOUR BENEFICIARY IS A FINANCIALLY DEPENDENT CHILD OR GRANDCHILD?

To meet the qualification of financial dependent they must have:

- lived with you and depended on your prior to your death
- their net income for the year before your death must have been less than the basic personal exemption for that year

Upon inheriting your RRIF, the value of the RRSP/RRIF is taxed to the child or grandchild. Your beneficiary can:

- buy a term annuity and pay tax on the payments they receive,
- transfer it tax-free to their RRSP, or
- roll it over tax-free to their RDSP if they have a mental or physical disability

The amount rolled over from a RRIF to an RDSP can't be greater than the available contribution room or exceed the $200,000-lifetime maximum contribution limit for the RDSP.

Please seek individual tax and or estate planning advice from your accountant/lawyer. They are qualified to assess your personal situation. Alta West Capital is not a professional accounting or legal firm and cannot give estate advice.

Should you need any help or have any questions regarding converting to a RRIF from your RRSP, please do not hesitate to contact investor relations at investor.relations@awcapital.ca and we will be happy to assist you.
