



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
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BY FAX: 613-995-5176 & MAIL

April 15, 2008

Mr. Brian Ernewein
General Director
Finance Canada
Tax Policy Branch
140 O'Connor Street
Ottawa, ON
K1A 0G5

Dear Mr. Ernewein:

RE: Reducing RRIF Minimum Factors – Section 7308

I am writing to you on behalf of the Members of The Investment Funds Institute of Canada (“IFIC”) to request changes to the RRIF minimum factors, as prescribed in Section 7308 of the *Income Tax Regulations (Canada)*.

IFIC is the national association of the Canadian investment funds industry. IFIC’s membership includes mutual fund managers representing nearly 100% of the \$670 billion in mutual fund assets under management in Canada, retail distributors of investment funds and affiliates from the legal, accounting and other professions.

Budget 2007 extended the conversion age that RRSPs need to be converted to a RRIF (or annuity) to 71 from age 69. This was seen by Canadians as a tremendous first step in recognizing that our aging Canadian population is working longer, retiring later and living longer.

To this end, we are requesting the government take the logical next step and reduce the RRIF minimum factors as set out in the Regulation above. As you know, the RRIF minimum is the legislated, prescribed percentage of the fair market value of an annuitant’s RRIF that must be withdrawn and taxed annually.

We believe that with increased longevity and lower expected returns from investments than existed in 1993, when the RRIF minimums were increased to their present levels, many seniors are at risk of depleting their capital long before their lives end. This problem is especially acute today, in our lower interest rate environment.

We understand that the rationale behind establishing the 1993 RRIF factors was to be able to produce a level income from age 71 to age 94 with a rate of return equal to 6%. In 1992,

Brian Ernewein, General Director, Tax Policy Branch
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interest rates were about 9% and inflation was dropping from 4% to 2%. Today, interest rates are about 4% and inflation is about 2%. Combined with increased longevity, **IFIC is recommending that a new set of RRIF Minimum factors be introduced that could provide a level income from age 71 to 96, with a 4% return.**

We would be happy to meet with officials to discuss this proposal at your earliest convenience.

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Joanne De Laurentiis
President & Chief Executive Officer

Cc The Honourable Jim Flaherty, P.C., M.P.
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