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October 29, 2008

The Hon. James M. Flaherty
Minister of Finance
L'Esplanade Laurier, East Tower, 21st. Floor
140 O'Connor, Street
Ottawa, Ontario, K1A 0G5

Dear Minister:

Re: Mandated RIF withdrawals

First of all, we would like to extend our congratulations to Prime Minister Harper, and to you and your Cabinet colleagues on the results of the recent federal election. Although there has not been an official announcement, we expect that you will be resuming the important and challenging position of Minister of Finance.

We are taking the liberty of bringing to your attention a serious problem, compounded by the current market turmoil.

As you know, retirees who have converted RRSPs to RIFs are mandated to withdraw a percentage of that RIF annually. However, particularly under the present circumstances, forced withdrawal of funds which are sinking in value, reduces their value enormously.

This is made even worse by the fact that the amount to be withdrawn is calculated on January 1. In normal times, this might not have great effect. However, when funds lose in value – as most, unfortunately, have done – the mandated withdrawals deplete them at an alarming rate. Many will not be able to recover from such huge losses.

We respectfully recommend that there be a two-year moratorium placed on mandated withdrawals, retroactive to January 1, 2008. Naturally, retirees may withdraw any amount they choose, and pay the applicable taxes. As you may know, CARP's position has been that the mandatory withdrawal provision should be eliminated entirely but we are prepared to endorse the two-year moratorium as an immediate first step to deal with the current crisis faced by so many retirees across the country.

We would be pleased to elaborate on our recommendations if required, and look forward to your response.

Yours truly,

“original signed by”

Susan Eng, Vice President, Advocacy
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