Financial and other institutions that are now eligible to issue RRSPs will be permitted to offer the new options. At present, these are mainly life insurance and trust companies. Under the second, or RRIF, option, a specific fraction of the total assets in the fund — capital plus accumulated earnings — would be withdrawn each year by the holder to provide annual income to age 90. The fraction will be related to the age of the taxpayer in the year and will simply be equal to one divided by the number of years remaining to age 90.

As an example, for a purchaser aged 70 an RRIF would run for 20 years. In the first year, with 20 years remaining, the holder would be required to take into income 1/20th of the total value of the plan at the beginning of the year. After another year 1/19th would be withdrawn, a year later 1/18th, and so on until the final year, when the taxpayer reaches age 90, withdrawal would exhaust the fund. A table at the end of this section shows the results for each $1,000 of investment in a typical RRIF.

The essential purpose of the RRSP, with its exceedingly generous tax treatment, is to provide income in retirement. Since more than 40 per cent of men and more than 50 per cent of women at age 70 would, for example, live longer than to age 85, retirement income must be assured well beyond that age. The new alternatives assure retirement income to age 90 which covers the retirement span of most Canadians.

A taxpayer will be limited to ownership of one RRIF. But he may, if he chooses, allot only a portion of his RRSP accumulations to the establishment of an RRIF and invest the remainder in any number of fixed-term or life annuities.

A taxpayer may base the term of an annuity or RRIF on the age of a spouse, if the spouse is younger, thus securing benefits to age 90 for the spouse. Should a person die before age 90, the benefits under the new options, as well as life annuities with a guaranteed term, could be transferred to the spouse. Otherwise, the value of any remaining benefits must be included in the person's income in the year in which he dies.

The current requirement that an RRSP be matured before attaining age 71 will be modified to require that it be matured during the calendar year in which the holder reaches age 71. This will allow the taxpayer more time to choose the combination of options best suited to his retirement income needs. A new provision will stipulate that a taxpayer may transfer an RRSP into any of the retirement income options, including a life annuity, only after reaching the age of 60.

An RRIF owner will be allowed to manage his own investments through directions to the trust company holding his funds, similar to the existing provision for a self-administered RRSP. There will be a wide variety of qualified investments available, matching those allowed under RRSP investment rules. These include stocks, bonds, bank certificates, savings bonds and mutual funds.

The changes proposed will be effective from the date of Royal Assent. There will, however, be a special provision for taxpayers who reach age 71