

Should recently widowed Curtis, 55, draw from RRSPs before tapping into taxable investments?

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Curtis is 55 years old and looking to retire early from his \$350,000-a-year job in software sales.

Short term, he wants to “get comfortable drawing down my assets after years of saving and investment,” Curtis writes in an e-mail. He’s recently widowed after 19 years of marriage, “and still getting comfortable living alone again.” He has no children.

In addition to his small-town Ontario condo, Curtis has a cottage in Muskoka and two rental properties in Mexico. He has no work pension but he does have substantial financial investments. He’s also taken an equity stake in three private companies, borrowing to make the investments.

[Will Ellen, 62, need to downsize after retiring next spring?](#)

His questions: Should he draw down his registered retirement savings plans (RRSPs) before tapping into his non-registered savings?

Should he sell one of his rental properties to pay off debt?

Curtis hopes to retire next year with an annual after-tax income of \$167,500.



We asked Ian Calvert, a principal and certified financial planner at HighView Financial Group in Toronto, to look at Curtis’s situation.

WHAT THE EXPERT SAYS

Curtis has a robust and diversified balance sheet that includes multiple real estate properties, a sizable investment portfolio and a few private equity investments, Mr. Calvert says.

Curtis has stakes in three different private placements, two of which might generate a large return and another that could provide sustainable cash flow. There is a high probability these three investments could significantly enhance Curtis’s financial position, the planner says. “However, there is no certainty they will return anything at all, so Curtis needs a retirement plan that isn’t reliant on them.”

Starting next year, when he retires, Curtis needs a plan for managing his cash flow and for reducing his outstanding liabilities, Mr. Calvert says. For multiple reasons, Curtis should focus on his RRSP and locked-in retirement account first. “Curtis’s first action item should be completing a 50-per-cent unlocking of his LIRA given the size of the account and that he is now 55,” the planner says. If Curtis moved the assets from a LIRA to a life income fund (LIF) he has 60 days to unlock 50 per cent of the account.

This doesn’t change the future tax implications, as the funds will still be taxable upon withdrawal, Mr. Calvert notes. “The purpose of this move is to transfer 50 per cent of the account into the RRSP where there is no

annual maximum withdrawal," he says. "In other words, it's about flexibility, not tax reduction."

This would leave about \$428,000 remaining in Curtis's LIF. Starting in 2026, if his employment income is completely gone, he should take the maximum allowable withdrawal from the LIF. This would be about \$28,000 a year of taxable income.

[How should Stan, 75, and Mabel, 67, divide their substantial savings to minimize taxes?](#)

With a total annual expense target of \$167,500, Curtis should look to his RRSP next. "This is a great asset, but there is a tremendous amount of deferred taxes on this account," Mr. Calvert says. With Curtis's early retirement at age 55, smoothing the RRSP withdrawals over a longer period will mitigate the total tax consequences and reduce the size of the mandatory minimum withdrawals at age 72. "An ideal withdrawal number to aim for is \$93,000 from his RRSP."

Moving the RRSP funds into an RRIF account will be helpful for the withdrawals as it will avoid deregistration fees on the way out, the planner says. This \$93,000 a year combined with the \$28,000 from Curtis's LIF, his net rental income of \$9,500, his Canada Pension Plan survivor benefit of \$7,500, plus the investment income earned in his taxable non-registered portfolio, would put him at \$150,000 of total income. "This is an ideal place to be as he would be at the top of the 43.41-per-cent marginal tax bracket," Mr. Calvert says.

To meet his total funding goal of \$167,500, Curtis would need about \$64,500 from his non-registered savings. This assumes his total taxes payable are about \$35,000 per year.

Curtis's next priority is dealing with his liabilities. "Reducing debt typically has a positive impact on your financial position, particularly as you enter retirement," the planner says. However, Curtis's largest liability is an investment loan, which is considered good debt. "If you borrow money for investment purposes, particularly if your investments generate income, or there is a reasonable expectation they will, the interest

on the loan becomes tax deductible," Mr. Calvert says. As the interest rate is the same on Curtis's line of credit, he should focus on paying off his line of credit first because it doesn't have the same favourable deductible interest.

Curtis is hoping to receive a large influx of capital in 2027 from one of his private investments. If this occurs, he will have an unusually high capital gain that year. To prepare for this, Curtis should limit the amount he transfers from his RRSP to his registered retirement income fund for that year, the planner says. "More specifically, he should transfer only the amount needed for 2026, leaving \$0 in the RRIF at the end of the year." If no funds are in the RRIF as of Dec. 31, 2026, there will not be a minimum withdrawal for 2027.

If this large capital gain does occur, the inflow of capital will provide Curtis with the ability to eliminate all debts and increase his lifestyle spending.

[Should Ann-Marie, 60, sell her condo so she can spend \\$100,000 a year in retirement?](#)

Curtis has enough capital to carry the debt and interest payments until this potential windfall in 2027. If this doesn't work out, an alternative plan is to sell one of his properties in Mexico to eliminate his remaining debts.

If Curtis earned an average of 5 per cent a year on his financial assets, his portfolio of about \$4-million would be able to fund his pretax withdrawals with little encroachment on capital, Mr. Calvert says. If Curtis's other investments return what he is expecting, he will have some decisions to make. His spending could certainly increase, and he should start to consider his goals for the capital he won't be able to enjoy and spend during his lifetime.

CLIENT SITUATION

The person: Curtis, 55.

The problem: Should he draw down his RRSPs before his taxable investments? Should he sell a rental property to pay off his loans?

The plan: First convert the LIRA to a LIF and unlock half, transferring it to his RRSP. Draw on the remaining LIF account first. Then start withdrawing from his RRSP. If his private equity investments don't work out, he could sell one of his rental properties to pay off his loans.

The payoff: A step-by-step approach with a view to keeping taxes to a minimum.

Monthly net income, all sources: \$19,840.

Assets: Cash \$6,000; RRSPs \$2,389,000; LIRA \$857,000; tax-free savings account \$237,000; non-registered investments \$485,000; condo (residence) \$700,000; cottage \$975,000; Mexican rental properties \$1.5-million. Total: \$7,149,000.

Monthly outlays: Mortgage \$2,370; condo fees \$850; home insurance \$185; electricity \$60; transportation \$585; groceries \$500; clothing \$100; gifts, charity \$550; vacation, travel \$1,000; other discretionary \$1,000; dining, drinks, entertainment \$1,900; personal care \$150; golf \$710; subscriptions \$100; other personal \$1,500; health care \$125; health, dental insurance \$205; life insurance \$80; phones, TV, internet \$275; RRSP \$2,700; TFSA \$580. Total \$15,525.

Liabilities: Residence mortgage \$213,000 at 1.9 per cent; cottage line of credit \$125,000; investment loan of \$384,000. Total: \$722,000.

Ian Calvert is a Principal, Head of Wealth Planning at [HighView](#).