

As Ross, 62, nears retirement, how can he minimize taxes now – and for his estate in the future?

DIANNE MALEY

Special to The Globe and Mail

Published Friday, January 2, 2026

Ross has been contributing to his RRSP all his working life. Now that he plans to [retire](#) soon, he is thinking about the taxes he'll have to pay when he starts withdrawing.

At 62, he'll be leaving behind a \$157,000-a-year job as an engineer.

Ross is divorced with two young adult children whose educations have been provided for. He has a mortgage-free house in Toronto and no liabilities, and although he's in a long-term relationship, he and his "career woman" partner live separately.

[Can Mark and Margaret, 45, semi-retire in their mid-50s and give each kid an early \\$250,000 inheritance?](#)

"I'd really like to come up with a strategy to minimize my post-retirement taxation and preserve funds like my tax-free savings account and non-registered investments for my kids and my girlfriend," Ross writes in an e-mail.

"If I retire now, do I draw down my RRSP, convert my locked-in retirement account [LIRA] to a life income fund and put 50 per cent of it in my RRSP?" he asks. "Should I defer my Canada Pension Plan?"



We asked Ian Calvert, principal and head of wealth planning at HighView Financial Group in Oakville, Ont., to look at Ross's situation.

WHAT THE EXPERT SAYS

Ross is in an excellent financial position heading into retirement, Mr. Calvert says. He's accumulated substantial balances in his RRSPs, non-registered account and TFSA.

"With his current net worth of about \$7-million, longevity risk shouldn't be a major concern," the planner says.

"After years of strong accumulation, his focus now should be on enjoying the fruits of his labour, withdrawing tax efficiently throughout retirement and organizing his surplus assets for the optimal transfer to his two daughters."

Ross is heading into retirement in 2026 with the following assets: real estate worth \$1,600,000; a non-registered portfolio of \$2,200,000; personal and employer RRSPs of \$2,000,000; a locked-in retirement account of \$915,000; a deferred profit-sharing plan (DPSP) of \$185,000; and a tax-free savings account of \$190,000.

[Kurt and Eloise want to help their daughter buy a home. How can they free up cash?](#)

Assuming Ross retires now and 2026 is his first low-income year, he should focus on his RRSP and LIRA first, Mr. Calvert says. His first action should be unlocking 50 per cent of his locked-in funds.

"The 50-per-cent unlocking rule allows Ross to convert his LIRA to a LIF and transfer half of

the funds tax-free to his RRSP or registered retirement income fund (RRIF).

"He is essentially moving assets from an account that has annual withdrawal restrictions into a more flexible vehicle, the RRIF," the planner says. This is a relatively simple administrative process. The LIF is the account for managing withdrawals from locked-in pension money.

"Once the funds are in the LIF, you generally have 60 days from the date of transfer to complete the 50-per-cent unlocking application," the planner says.

Ross's next action should be to convert his RRSP to a RRIF. "By making these two changes, Ross will have created flexibility through the unlocking process and moved all registered retirement funds into the appropriate accounts to start the withdrawal phase."

[How much should Jodi, 74, spend in retirement without leaving a big estate?](#)

The expected minimum withdrawal will be about \$91,000 a year from his RRIF and \$17,000 a year from his LIF, which together represent 3.7 per cent of the two accounts, Mr. Calvert says. If Ross does the conversion in 2026, the minimum withdrawals will start in 2027.

This would provide \$108,000 of gross income, less \$42,000 in tax, for an after-tax income of \$66,000 a year, which should satisfy his retirement spending target of \$60,000 a year.

"However, his total income will be closer to \$178,000 a year after factoring in the investment income he will report from his non-registered portfolio," Mr. Calvert notes. "If Ross needed additional income after the RRIF and LIF withdrawals, he should look to his non-registered portfolio because the account is generating close to \$70,000 a year in investment income before he even touches the capital."

Ross can certainly delay his CPP benefits to age 70. "There is no one-size-fits-all answer on the optimal age to take CPP," the planner says.

Given Ross's solid financial position and cash flow, he should consider delaying because it will result in a 42-per-cent higher CPP benefit – guaranteed and indexed for life. "With Ross's projected future income, he should expect his OAS to be completely clawed back."

With the income from Ross's RRIF, LIF and CPP at age 70, he will likely not need to draw from his TFSA or non-registered assets – assuming his lifestyle needs remain consistent.

"The TFSA is a great account to utilize during your lifetime, but it's also a tremendous account for estate planning," Mr. Calvert says, as it allows the naming of a direct beneficiary.

[At 44 years old, can Taya retire from his government job as early as next year?](#)

Ross's daughters can be listed as simple designated beneficiaries, meaning they can receive the proceeds of the TFSA tax-free. "This is different from a successor holder designation, which is only available to spouses and common-law partners," he says. This designation would allow the beneficiary to add the TFSA proceeds to their own TFSA, regardless of available contribution room.

For Ross, "avoiding both tax and probate is the ideal scenario for transferring his assets to his daughters."

This is the opposite of the assets in his non-registered portfolio, the planner says. Upon his death, Ross is deemed to have sold all his portfolio investments and realized all capital gains on his final tax return.

"With no ability to name a direct beneficiary, the non-registered portfolio would be considered estate property," the planner says. A relatively easy solution would be for Ross to establish a gifting program while he is still living.

"This would not only keep the funds out of his estate, but would also allow Ross to control the amount and timing of capital gains over several years," Mr. Calvert says.

"Ross should start small and monitor the amount he gives away each year to avoid

disrupting his retirement cash flow or financial security," he adds.

"Having a comprehensive financial plan that is updated annually is the ideal approach for tracking the gifting to his daughters."

[How should Vince and Mindy wind down their \\$500,000 corporate account in retirement?](#)

CLIENT SITUATION

(Income, expenses, asset values and liabilities are provided by Facelift participants.)

The person: Ross, 62, and his children, 20 and 21.

The problem: How to minimize the amount of tax he will be paying on his substantial savings and investments both now and after he is gone.

The plan: Convert the LIRA to a LIF and unlock half the value, then convert his RRSP to a RRIF and begin withdrawing. Defer CPP to age 70. Give advance inheritances to his children while he is still alive.

The payoff: Affirmation that his plans are on track.

Monthly after-tax income: \$14,250.

Assets: Bank account \$58,965; cash equivalents, GICs \$245,000; non-registered stock portfolio \$1,954,860; DC pension plan \$91,295; TFSA \$190,000; RRSP \$1,871,054; group RRSP \$110,560; LIRA \$914,428; DPSP \$185,435; residence \$1,600,000. Total: \$7,221,597.

Monthly outlays: Property tax \$590; water, sewer, garbage \$55; home insurance \$235; electricity \$130; heating \$125; maintenance \$440; garden \$20; car insurance (three vehicles) \$500; other transportation \$215; groceries \$300; clothing \$50; charity \$150; vacation, travel \$400; dining, drink, entertainment \$105; personal care \$15; club membership \$165; sports, hobbies \$100; subscriptions \$70; health care \$120; life insurance \$70; disability insurance \$170; communications \$170; RRSP \$1,035; TFSA

\$585; pension plan contributions \$1,255. Total: \$7,070.

Liabilities: None.

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