END MANDATORY RRIF WITHDRAWALS

CARP
CANADIAN ASSOCIATION OF RETIRED PERSONS

Introduction

Canada's seniors have earned the right to financial security and dignity in retirement through decades of hard work and contributions to the nation's prosperity. Yet the Registered Retirement Income Fund (RRIF) mandatory withdrawal rules—frozen in place since 1978—rob them of that right. These outdated regulations force seniors to drain their hard-earned savings on a government-imposed timeline, dismissing their individual needs and the modern realities of longer lives and lower investment returns.

The Canadian Association of Retired Persons (CARP) is unequivocal: seniors, not bureaucrats, should decide how and when to access and use their money, based on what's best for them. To dictate otherwise is an ageist view, stripping them of self-determination and trapping them in a financial straitjacket.

It's time to dismantle these rules and restore seniors' rightful autonomy.

The Issue: Mandatory RRIF Withdrawals Undermine Seniors' Best Interests

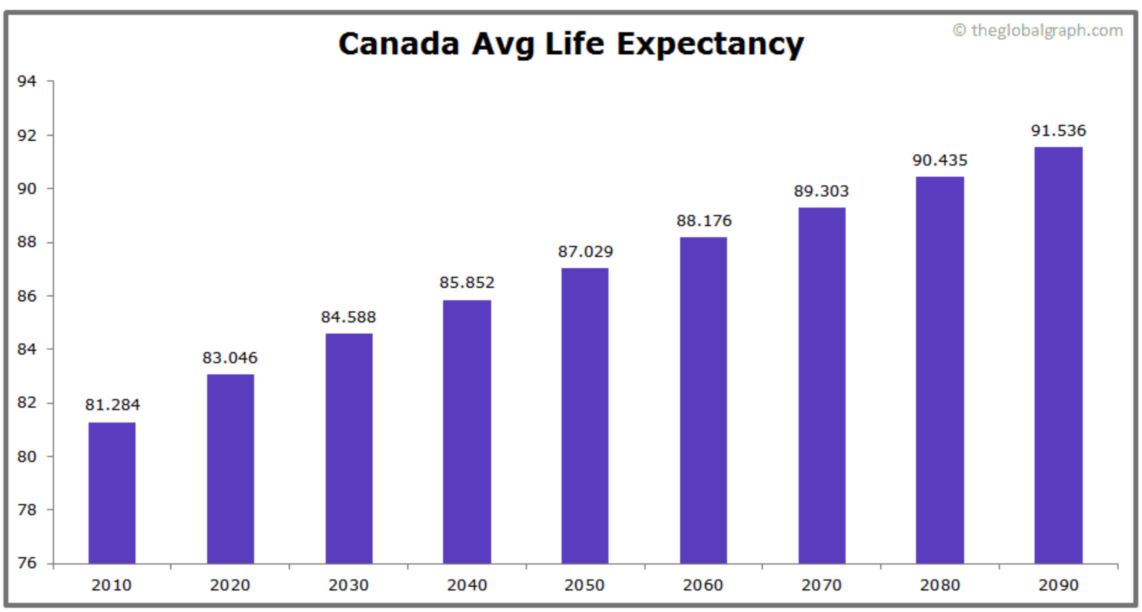
RRIFs were intended to provide retirees with reliable income from their RRSPs, which earn interest tax-free while saving. But the mandatory minimum withdrawal rules have become a punishment for today's seniors. Crafted nearly five decades ago—when people died younger and investments paid more—these rules now force seniors to withdraw set percentages annually, starting at 5.4% at age 72 and soaring to 20% by age 95.

CARP argues this creates a triple threat:

- **Financial Strain**: Forced withdrawals accelerate the depletion of savings, leaving seniors with shrinking resources just as healthcare and long-term care costs skyrocket in their later years.
- **Tax Burdens**: These withdrawals are fully taxable, often shoving seniors into higher tax brackets or triggering clawbacks of vital benefits like the Guaranteed Income Supplement (GIS), hitting the most vulnerable hardest.
- **Lost Flexibility**: A rigid, one-size-fits-all formula ignores individual realities—whether a senior is still working, has other income, or needs to preserve funds for future emergencies.

Today, seniors live longer—up to 83 years on average in 2025, with nearly 100,000 Canadians now 95 or older—and rely more on personal savings as government support wanes. Yet, the government clings to a system that assumes they'll die sooner and earn more from investments than they do.

CARP demands an end to this injustice: seniors' savings should serve their needs, not bureaucratic convenience.



Why It Matters: Seniors Are Losing Ground

The evidence is undeniable—mandatory RRIF withdrawals are failing seniors at a time when they need support most:

- **Longer Lives, Less Money**: In the early 1990s, a 71-year-old could expect to live another 13.7 years; by 2020, that stretched to 16.2 years. Life expectancy hit 83.26 years in 2025, up from 83.11 in 2024. Data shows that 14% of Canadians will reach 95 years, an increase from 5.6% in the 1980s, with that number expected to grow.
- **Falling Returns**: RRIF rules were built on 1990s assumptions of high investment returns, but today's low-interest reality means safe investments yield far less—draining savings faster when withdrawals are forced.
- **Rising Reliance on Savings**: Private retirement income has surged from 18% of seniors' funds in 1990 to 33% in 2022, while government programs like OAS and CPP have dropped from 46% to 33%. More and more Canadians are retiring without a defined benefit pension plan and are even more reliant on registered savings than previous generations.
- **Working Longer, Still Penalized**: More seniors are working past 70—8% in 2022, up 63% from 4.9% in 1970—yet they're still forced to draw down RRIFs, even if they don't need the money.
- **Late-Life Vulnerability**: Nearly half of Canadians (47.9%) expect no income from retirement savings, and those with RRIFs risk running out in their 80s or 90s—just as healthcare costs spike.

CARP sees this as a betrayal. Mandatory withdrawals rob seniors of the right to manage their money prudently, forcing them to deplete savings early instead of preserving them for critical needs later.

This isn't just inconvenient—it's a threat to their survival.

Why Mandatory Withdrawals Exist - And Why That Logic Fails Seniors

The government justifies mandatory RRIF withdrawals with three claims:

1. **Tax Revenue**: RRSPs defer taxes, so forced withdrawals ensure the government collects its due.
2. **Retirement Intent**: The rules push seniors to use savings for retirement, not hoard them tax-free for heirs.
3. **Fiscal Balance**: Withdrawal taxes fund programs like healthcare and OAS.

CARP calls this reasoning flimsy and outdated. Life expectancies have soared since 1978, yet withdrawal rates remain stubbornly tied to old assumptions. The government will get its taxes eventually—whether seniors withdraw voluntarily or pass away—so why force hardship now?

For low-income seniors, mandatory withdrawals even claw back GIS benefits, effectively taxing them twice. This isn't fiscal responsibility; it's a **bureaucratic power grab** that puts government revenue ahead of seniors' well-being.

Current Status: A System Out of Sync

By December 31 of the year they turn 71, Canadians must convert RRSPs to RRIFs or annuities, with withdrawals starting at age 72. Rates climb from 5.4% to 20% by age 95, and all withdrawals are taxable.

- Wealthier seniors with pensions don't need the cash—yet they're forced to drain savings.
- Low-income seniors lose GIS eligibility.
- Everyone faces taxable income they didn't choose.

A 2023 Department of Finance review of RRIF assumptions signalled growing awareness, but **seniors can't wait**. Inflation, rising healthcare costs, and a low-return economy demand action now.

CARP's Demand: Put Seniors in Charge

CARP rejects this broken system. Mandatory RRIF withdrawals don't just inconvenience seniors—they **jeopardize**

their financial security. The government's tax revenue is guaranteed in the long run, so why impose hardship now?

CARP demands:

- **End Mandatory RRIF Withdrawals**: Let seniors decide when and how much to withdraw, based on their needs—not an outdated formula that ignores today's realities.

This isn't about tax evasion—it's about fairness. Seniors shouldn't be forced to exhaust savings or face punitive taxes just because of their age.

Their money. Their choice.

Conclusion

With longer lives and escalating costs, seniors need control over their savings more than ever. Mandatory RRIF withdrawals—rooted in an era of shorter lifespans and higher returns—steal that control, leaving them exposed in their most vulnerable years.

CARP calls on the government to scrap these outdated rules and trust seniors to manage their own futures. Financial security isn't a privilege—it's a right.

References

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