Making employer pensions work for you

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Megan moved to a new city and had the option of rolling her old pension into her new one as her previous and current employers were affiliated with the same pension manager. She also had a small pension from a previous job, so she met with a local Financial Advisor to discuss her options.

Besides the pensions, Megan had a small RRSP with an advisor where she last lived, and a TFSA savings account at a bank. She had sold her home to move but was postponing purchasing a new home for the time being, as her new job was gradual entry so her income would be lower for some time. At 56 years of age, she had less than 10 years before retirement and knew she needed to be more strategic and intentional with her retirement savings.

The Financial Advisor recommended Megan transfer the small pension into a locked-in retirement account (LIRA) as it was under the 2024 limit of $13,700 limit. The size, and her age, meant the advisor could ‘unlock’ the account and transfer the funds into her RRSP, creating more financial flexibility going forward, as RRSPs do not have the strict withdrawal restrictions that LIRAs and LIFs do.

Since she was over 55, the Advisor also recommended moving the larger pension into a life income fund (LIF) and having it pay out while her income was lower. She could use some of the funds to build up her TFSA, and the rest to purchase into her RRSP to offset taxes. As the larger LIF was from Alberta, the Advisor could unlock 50% of the account and move that portion into her RRSP. These changes gave her greater liquidity now and more control over her retirement income later. Plus, she could maximize the Home Buyers Plan loan in the future if 4 years passed before she bought that new home confident more than enough money would be accessible for that next step.

Taking control of your pensions through independent financial management allows for greater control over income in retirement.

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