

LIFE INCOME FUND (LIF) ADDENDUM

PROVINCE OF BRITISH COLUMBIA

Steadyhand Investment Funds Inc.
1747 West 3rd Avenue,
Vancouver, BC V6J 1K7



www.steadyhand.com
1-888-888-3147

Annuitant's Name (Please print)

Social Insurance Number

LIF Account Number

Upon receipt of locked-in funds, the Trustee further agrees to, and the Annuitant acknowledges, the following:

1. **Definitions.** In this Addendum:

- (a) **Act** means the *Income Tax Act* (Canada), as amended from time to time;
- (b) **LIF** means a “LIF” or “life income fund” as defined in Pension Legislation;
- (c) **life annuity** means “life annuity contract” as defined in Pension Legislation and that conforms with the Act and Pension Legislation;
- (d) **LRSP** means a “LRSP” or “locked-in retirement savings plan” as defined in Pension Legislation and, where those terms are not defined, means a registered retirement savings plan that satisfies the conditions under Pension Legislation for receiving funds that originate from an RPP;
- (e) **Pension Legislation** means the *Pension Benefits Standards Act* (British Columbia) and its Regulations, governing locked-in funds transferred or to be transferred to the Fund directly or indirectly from an RPP;
- (f) **preceding year's investment return** means the value of the Fund at the end of the immediately preceding fiscal year, minus the value of the Fund on the first day of that fiscal year, plus any money paid out of the Fund during that fiscal year, minus any money transferred into the Fund during that fiscal year;
- (g) **RPP** means a registered pension plan governed by Pension Legislation or established by other legislative authority;
- (h) **reference rate** means the greater of:
 - (i) the month-end nominal rate of interest earned on long-term bonds issued by the Government of Canada for the month of November preceding the year of the valuation, as compiled by Statistics Canada and published in the Bank of Canada Banking and Financial Statistics as CANSIM Series B14013, to which the following adjustments are applied successively to that nominal rate:
 - a) an increase of 0.5%;

- b) the conversion of the increased rate, based on interest compounded semi-annually, to an effective annual rate of interest;
- c) the rounding of the effective interest rate to the nearest multiple of 0.5%, and
 - (ii) a rate of 6%;
- (i) **Spouse** means a “spouse” as defined in Pension Legislation in the context of a LIF; provided, however, it only includes a person recognized as a spouse or common-law partner for the purposes of the Act;
- (j) **Trustee** means Canadian Western Trust Company;
- (k) The terms “ Annuitant” and “Fund” shall have the same meanings as are respectively given to them in the Declaration of Trust; and
- (l) Words defined in Pension Legislation have the same meanings in this Addendum unless otherwise defined herein.

2. **Compliance.** If locked-in funds are transferred or will be transferred to the Fund, directly or indirectly, from an RPP, the additional provisions of this Addendum form part of the Declaration of Trust. In case of any inconsistency between this Addendum and the Declaration of Trust, this Addendum will apply. The Trustee has filed the Declaration of Trust (including this Addendum) with and caused it to be accepted by the appropriate pension authorities in Canada. The Trustee will comply with all relevant provisions of Pension Legislation.

Subject to paragraphs 5, 6, 16, 17, 19 and 20 of this Addendum, all money, including all investment earnings, that is subject to any transfer to or from the Fund as defined by the Declaration of Trust, is to be used to provide or secure a pension that would, but for the transfer and previous transfers, if any, be required by the Act and the Pension Legislation.

3. **Transfers to the Fund.** Only property representing locked-in funds originating, directly or indirectly, from an RPP, an LRSP, a life annuity the capital of which originated from an RPP, or another source permitted by the Act and Pension Legislation from time to time, may be transferred to the Fund. The Trustee will not accept any transfers to the Fund from a source or in circumstances not permitted by Pension Legislation.

If the Annuitant has a Spouse on the date the Annuitant transfers locked-in funds to the Fund, the transfer must be accompanied by consent from the Spouse, in the form and manner required by Pension Legislation. Such consent shall be valid for each successive transfer of the locked-in funds in the Fund to another LIF.

4. **Investments.** The investments held in the Fund must comply with the investment rules imposed by the Act for a registered retirement income fund. The Fund may not directly or indirectly hold any mortgages where the mortgagor is the Annuitant, or the parent, brother, sister or child of the Annuitant, or the Spouse of any of those persons.

5. **Withdrawals.** Subject to paragraphs 6, 10, 12, 16, 17, 19 and 20 of this Addendum, no withdrawal, commutation or surrender of property is permitted in respect of this Fund except as may be permitted by the Act and Pension Legislation from time to time. Any such payment may only be made after the Trustee receives a waiver, if required by Pension Legislation, from the Spouse in the form and manner required by Pension Legislation. Any transaction that is contrary to this paragraph is void.

6. **Disability Payments.** The property of the Fund may be withdrawn as a lump sum payment or series of payments where the life expectancy of the Annuitant is likely to be shortened considerably due to a disability or terminal illness, as evidenced by the written opinion of a qualified medical practitioner.

The payment or payments may only be made after the Trustee receives a waiver from the Spouse in the form and manner required by Pension Legislation.

7. **Fiscal Year of the Fund.** The fiscal year of the Fund ends on December 31 of each year and will not exceed 12 months.

8. **Value of the Fund.** For the purpose of a transfer of assets, the purchase of a life annuity contract, a payment or transfer on the death of the Annuitant, or transfer to the Spouse on marriage breakdown, the value of the contract shall be the aggregate market value of the securities held in the Fund as of the market closing immediately prior to such payment or transfer.

The Trustee, to establish the value of the Fund, will use a recognized pricing service, contact the issuer for value, or use the Financial Post or other leading financial papers. In the case of a purchase of a life annuity, all assets would be sold at market value on the date of sale.

9. **Annual Information Statement.** The Trustee will provide the Annuitant with the information as specified in Pension Legislation.

10. **Payment of Income.** The Annuitant will be paid an income, the amount of which may vary annually and which will commence not later than the last day of the second fiscal year of the Fund. The Annuitant will establish the amount of income to be paid during each fiscal year of the Fund at the beginning of that fiscal year and after the receipt of the information as outlined in Pension Legislation. If the Annuitant fails to establish the amount of income to be paid during each fiscal year of the Fund, the minimum amount required under the Act shall be deemed to be the amount to be paid.

If the Trustee guarantees the rate of return of the Fund over a period that is greater than one year and that ends at the end of a fiscal year, the Annuitant may establish the amount of income to be paid during that period at the beginning of that period. Where the amount of income to be paid to the Annuitant is fixed at an interval of more than one year, paragraphs 11 and 12 of this Addendum will apply with such modifications as the circumstances require to determine, at the date of the beginning of the first fiscal year of the Fund in the interval, the amount of income to be paid for each fiscal year in that interval.

11. **Determination of Income to be Paid.** The amount of income paid during a fiscal year of the Fund may not be less than the minimum amount required to be paid under the Act and will not exceed the greater of:

(a) M as determined in accordance with the following formula:

$$M = C \times F$$

where

C = the balance of the money in the Fund on the first day of the fiscal year, and

F = the factor in Schedule III of Pension Legislation for the reference rate for the year and the owner's age at the end of the immediately preceding year, and

(b) the preceding year's investment returns for the Fund, if there was a preceding year.

12. **Income to be Paid Out in the Initial Year.** For the initial fiscal year of the Fund, the minimum amount to be paid, as referred to in paragraph 11 of this Addendum, will be set at zero.
13. **Transfers In During the Fiscal Year.** Where the money in the Fund is derived from money transferred, directly or indirectly, during the first fiscal year from another LIF of the Annuitant, the limit M in paragraph 11 of this Addendum is equal to zero with respect to that money, except to the extent that the Act requires the payment of a higher amount.

If, in any fiscal year of the Fund, an additional transfer is made to the Fund and that additional transfer has never been under a LIF before, an additional withdrawal will be allowed in that fiscal year. This additional amount of withdrawal will not exceed the limit M that would be calculated under this Addendum if the additional transfer were being transferred into a separate LIF and not this Fund, with paragraph 12 applying.

14. **Payments after Marriage Breakdown.** The property of the Fund may be subject to division under family law and Pension Legislation. The Trustee will make a payment or payments out of the Fund to the extent and in the manner permitted or required by applicable law:
 - (a) to effect a division of property, provided the payment is made pursuant to a court order, marriage contract or separation agreement under applicable marital property legislation; or
 - (b) pursuant to an execution, seizure, attachment or other process of law in satisfaction of an order for support or maintenance.

The Trustee will provide the Annuitant with the information as specified in Pension Legislation.

15. **Beneficiary Designation.** The designation of a person other than the Annuitant's Spouse as the beneficiary of the Fund will not be valid if the Annuitant has a Spouse who is entitled to survivor benefits under the Fund because of Pension Legislation.
16. **Death of Annuitant.** Following the death of the Annuitant, the property of the Fund will be used to provide a pension for the surviving Spouse unless the surviving Spouse waives entitlement in the form and manner required by Pension Legislation, and will be transferred to an LRSP, LIF, RPP or life annuity as permitted by Pension Legislation and paragraph 60(1) of the Act.

If there is no surviving Spouse or the surviving Spouse waives spousal entitlement in the form and manner required by Pension Legislation, the property of the Fund will be paid to the person designated as beneficiary of the Fund, or if no such person has been designated, to the legal representative of the deceased Annuitant's estate.

The Trustee will provide the person entitled to the balance of the Fund with the information as specified by Pension Legislation.

17. **Transfers from the Fund.** Subject to any restrictions imposed by the Act and by Pension Legislation, and prior to using the Fund balance to purchase a life annuity contract and after payment to the Annuitant of the minimum amount for the year, the property of the Fund may be transferred to an RPP, an LRSP, or a LIF, or used to purchase a life annuity in accordance with paragraph 60(1) of the Act. Where the Fund holds identifiable and transferable securities, the transfer or purchase may, unless otherwise stipulated, at the option of the Trustee and with the consent of the Annuitant, be effected by remittance of the investment securities of the Fund.

Before transferring property of the Fund, the Trustee will:

- (a) write to the issuer of the recipient plan to notify it of the locked-in status of the property being transferred;
- (b) not permit the transfer unless the issuer of the recipient plan agrees to administer the transferred property according to Pension Legislation;
- (c) unless the recipient plan is an RPP, the issuer of the recipient plan is on the list of financial institutions maintained by the Superintendent of Pensions; and
- (d) unless the recipient plan is an RPP, the recipient plan is on the list of LRSPs or LIFs maintained by the Superintendent of Pensions.

If the Trustee does not comply with the above and the issuer of the recipient plan fails to pay the money transferred in the form of a pension or in the manner required or permitted by Pension Legislation, the Trustee will provide or ensure the provision of the pension equal in value to the pension that would have been provided had such property not been paid out.

At the time of the transfer, the Trustee will notify the issuer of the recipient plan that the funds had been held under a LIF governed by Pension Legislation and the date on which the funds were transferred out of the Fund.

If, prior to the transfer, the minimum required payment for the fiscal year, by reason of the application of paragraph 11, has not been satisfied, the Trustee will withhold adequate funds to satisfy this minimum payment requirement in accordance with paragraph 146.3(2)(e.1) or (e.2) of the Act.

The Trustee will provide the Annuitant with the information as specified by Pension Legislation.

18. **Life Annuity.** The Annuitant is permitted to transfer all or a part of the balance of the Fund to purchase a life annuity contract that meets the conditions set out in the Act and Pension Legislation. If the Annuitant has a Spouse on the date payments under the life annuity begin, the life annuity must be established for the lives jointly of the Annuitant and the Annuitant's Spouse, unless the Spouse has provided a waiver in the form and manner required by Pension Legislation. Where the surviving Spouse is entitled to payments under the life annuity after the Annuitant's death, those payments must be at least 60 percent of the amount to which the Annuitant was entitled prior to the Annuitant's death. The life annuity may not differentiate based on gender.

19. **Option to Withdraw Small Balances.** The Annuitant may apply to the Trustee for a lump sum payment or a transfer to a registered retirement savings plan equal to the value of the Annuitant's assets in the Fund:
- (a) if the value of the Fund does not exceed 20% of the Year's Maximum Pensionable Earnings (YMPE) for the calendar year in which the application is made (the Fund may not be subdivided into smaller accounts in order to qualify), or
 - (b) if,
 - (i) on the date the Annuitant signs the application, the Annuitant has attained the age of 65 years, and
 - (ii) the value of the Annuitant's assets in all LIFs and LRSPs governed by Pension Legislation is less than 40% of the Year's Maximum Pensionable Earnings for that calendar year.

Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.

20. **Option to Withdraw due to Non-Residency (Permanent Departure from Canada).** The Annuitant may apply to the Trustee for a lump sum withdrawal if the Annuitant has moved away from Canada permanently and has been absent from Canada for at least 2 years. The Annuitant must provide written evidence that Canada Revenue Agency has determined that the Annuitant has become a non-resident for the purposes of the Act.

Such application by the Annuitant must be in the form and manner required by Pension Legislation, and, if the Annuitant has a Spouse on the date the Annuitant signs the application, must be accompanied by a waiver by the Spouse, in the form and manner required by Pension Legislation.

21. **Payments or Transfers Contrary to Pension Legislation.** If property is transferred or paid out of the Fund contrary to Pension Legislation, the Trustee will provide or ensure the provision of a pension equal in value to the pension that would have been provided if the property had not been transferred or paid out of the Fund.

22. **Prohibition.** The property of the Fund may not be assigned, charged, alienated, anticipated or given as security or subjected to execution, seizure or attachment, except as permitted by Pension Legislation. A transaction that is contrary to this paragraph is void.

23. **Amendments.** From time to time, the Trustee may amend the Declaration of Trust (including this Addendum), if the amendment does not disqualify the Fund as a LIF and if the amendment is filed with and approved by Canada Revenue Agency and applicable provincial authorities. The Trustee will provide the Annuitant with 90 days written notice (including notice of the Annuitant's entitlement to transfer the property out of the Fund) of any amendment that reduces benefits under the Fund.

Signature of Annuitant

Date

Accepted by Steadyhand Investment Funds Inc. as agent for:

Canadian Western Trust Company

600 – 750 Cambie Street

Vancouver, BC V6B 0A2

Authorized Signature

TO BE COMPLETED BY THE ANNUITANT:

CURRENT SPOUSAL STATUS:

(This data is necessary in order to complete prescribed government forms.)

Single Married Common law Divorced Separated

Spousal Information:

Name: _____

SIN: _____ Birth Date: _____

Please mail the completed addendum with your Transfer Authorization for Registered Investments to:

Steadyhand Investment Funds Inc.

1747 West 3rd Avenue

Vancouver, BC, V6J 1K7