

## Financial Hardship Unlocking (FHU) Frequently Asked Questions

### General Program and Process

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#### General Program:

##### 1. What is the Financial Hardship Unlocking (FHU) program?

The FHU program was established to provide a one-time source of financial relief to locked-in account owners who are experiencing financial hardship. It is not intended to provide an ongoing source of income prior to retirement, nor is it meant to replace other income assistance programs available.

The financial hardship reasons for which money can be unlocked under the FHU program are legislated through the [Employment Pension Plans Act](#) and [Employment Pension Plans Regulation](#) (Act and Regulation).

##### 2. Where can I obtain a copy of the financial hardship application form?

Both printable and online fillable versions of the [Application to Unlock Alberta Funds due to Financial Hardship](#) are available from your Financial Institution or on the Alberta Treasury Board and Finance website.

##### 3. Why do I have to apply to receive my locked-in money?

Pension plans are established to provide you with life-long retirement income. Therefore, in the spirit and intent of the original pension plan, any funds transferred into a locked-in retirement account (LIRA) or life income fund (LIF) must ultimately be used to support you in retirement.

Employees who contribute to pension plans are certainly stakeholders in how those funds are used. However, the employers that establish pension plans, administer the plans and make regular contributions on behalf of their employees are also stakeholders. As a regulator of pensions, it is the government's role to strike a balance between the needs and wishes of both of these stakeholder groups.

#### **4. What is an Alberta locked-in account?**

Funds held in your locked-in account are subject to the Act and Regulation of Alberta if:

- You were employed in Alberta on your last day of working for the company that provided you with the pension, and
- You were not working for a federal public body (eg. Federal government, some First Nations organizations, RCMP, Department of National Defense), and
- You were not working for a federally regulated industry (eg. airlines, shipping, telecommunications, banking and inter-provincial transportation).

If you were working in another province on your last day of employment with the company that provided you the pension, it is likely that your LIRA or LIF is regulated under that province's rules. The Government of Canada and many provinces have financial hardship unlocking programs to which you can apply if your locked-in account is under their jurisdiction.

Contact the financial institution that holds your locked-in account if you have questions as to which jurisdiction your LIRA or LIF account falls under.

#### **5. My funds are still in the employer's pension plan. Can I apply to access funds due to financial hardship?**

No, you cannot. Your funds must have transferred out of the employer's registered pension plan (RPP) into a LIRA or LIF in your name. If you are still working for the employer that established the pension plan, you cannot access those funds until you terminate membership. This usually means that you must terminate your employment with that company.

If you no longer work for the employer who provided you with the pension plan, then you must first transfer your funds from the pension plan into a LIRA or LIF before you can apply to the FHU program. You can do this by contacting your former employer.

## 6. What are the financial hardship reasons I can apply under to unlock my LIRA or LIF?

- Low Income – Your LIRA or LIF may be unlocked based on an owner's expected income over the next twelve months.
- Foreclosure - To prevent foreclosure of your or your pension partner's main home, you may be eligible to unlock the amount of the mortgage arrears and associated legal fees.
- Eviction for Rent Arrears - To avoid being evicted due to unpaid rent on your or your pension partner's main home, you may be eligible to unlock the amount of the rent owing.
- First Month's Rent & Security Deposit – Your LIRA or LIF may be unlocked to secure a new home for you or your pension partner in the amount of the first month's rent and security deposit.
- Medical Costs & Renovation - The cost of medical expenses for you, your pension partner or dependants may be unlocked from your LIRA or LIF if not covered by a medical plan or any other source. You may also be eligible to unlock funds to pay for renovations to a main home that are required for yourself, your pension partner or dependants due to illness or disability.

## 7. How often can I apply?

You are permitted to apply under each reason only ONCE PER CALENDAR YEAR.

Whether your application is successful or not, it is considered your one application per year for that reason and you will not be able to apply again under that reason until the next calendar year.

## 8. How much money can I take out of my account?

The maximum withdrawal amounts for each reason are outlined on the application form next to each reason for applying. You may choose more than one reason for applying on each application form.

**9. How long will it take to find out whether or not I can unlock money from my LIRA or LIF?**

The timing of this process is based on procedures put in place by your financial institution. Please contact the financial institution that holds your LIRA or LIF for that information.

**10. Are there any fees involved?**

The Act and Regulation do not prohibit the charging of administrative fees.

**11. Are there other ways to unlock my account besides applying to the Financial Hardship Unlocking program?**

Yes, there are four situations where the funds in your LIRA or LIF may be unlocked without completing the *Application to Unlock Alberta Funds due to Financial Hardship*. These are:

- Small Amounts
- Non-Resident of Canada for Income Tax Purposes
- Shortened Life Expectancy
- 50% Unlocking

Full explanations for these provisions can be found on the Alberta Treasury Board and Finance website.

**12. I am over 50 years of age and have not converted my LIRA to a LIF to take advantage of the 50% unlocking provision. Can I apply to the Financial Hardship Unlocking program?**

Yes, these are separate provisions under the Act and Regulation so you can choose to use either or both options.

**Application Process:**

**1. Can I apply under more than one reason on each application?**

Yes, you can apply under more than one reason on each application form.

## **2. What if none of the reasons apply to my situation?**

The legislation around the Financial Hardship Unlocking program is very specific to the reasons for which unlocking your Alberta LIRA or LIF can be approved. If none of the five reasons apply to your situation, your financial institution cannot approve the unlocking of your LIRA or LIF under the FHU program.

## **3. Can I apply using a previous version of the application form?**

No. Your financial institution can only process the current [Application to Unlock Alberta Funds due to Financial Hardship](#) form. This form will reflect the current legislation around the FHU program. No previous versions of the form or other methods of applying will be accepted.

An updated version of the form will be placed on the Alberta Treasury Board and Finance website each January.

## **4. What kind of documents do I need to submit along with the application form?**

Each reason in the FHU program requires different documentation be submitted with your application. These are indicated on the application form beside the reason for applying. You must submit all the documentation required for the reason you choose or your application to unlock funds cannot be approved. These documents must be signed within 12 months of the date you submit your application.

Your financial institution will ask that you submit any missing information and will not release funds for any reason without the necessary documentation.

## **5. Do the documents that are required need to be certified or notarized?**

No, the documents that are required for any of the reasons do not need to be certified or notarized.

## **6. What is a pension partner?**

A pension partner is someone you are married to (and have not been separated from for more than 3 years) or who is a common-law partner of 3 years or more (or less if there is a child as a result of the relationship). Common-law partnerships include same-sex relationships.

**7. Is my pension partner's consent needed before I can withdraw funds due to Financial Hardship?**

Alberta pension law gives pension partners certain rights with respect to a LIRA or LIF. Because unlocking funds from a LIRA or LIF can reduce the benefit that your pension partner may be entitled to, your pension partner must agree before any unlocking can be permitted. If you earned your pension before having a pension partner, your pension partner may still be entitled to benefits from it.

The Pension Partner Agreement in the application must be signed and witnessed outside of your presence.

If your LIRA or LIF was transferred to you as a result of the death of a former pension partner or in the event of marital breakdown, then any new pension partner does not need to sign the application.

**8. Who can be a witness to the signatures on the application?**

Your signature must be in front of a witness aged 18 or over.

Your pension partner's signature must be witnessed by someone other than yourself who is aged 18 or over. This Pension Partner Agreement must be completed outside of your presence.

Both the 'Pension Partner Agreement' and 'Certification of the Applicant' in the application must be signed and dated within 90 days of receipt by your financial institution.

**9. Who should I contact if I have any questions about filling in the application?**

If you have any questions, please contact the Financial Institution that holds your LIRA or LIF.

**10. Where do I submit my application?**

Your application form must be submitted to the financial institution that holds your LIRA or LIF.

As the regulator of pension plans under Alberta jurisdiction, the Office of the Superintendent of Pensions is responsible for developing the legislation surrounding the Financial Hardship Unlocking Program but is not involved in the application or unlocking process. Do not send your application to the Government of Alberta.

## Review Decision Questions:

### 1. How can I receive my funds once they are approved to be unlocked?

Approval under the Financial Hardship Unlocking program removes the locked-in status of these funds. At the time of unlocking, you can then choose to:

- Take these funds in cash and/or transfer them to a regular bank account. Income tax will be withheld if you choose this option.
- Keep these funds tax sheltered by transferring them to a regular RSP or RIF. No income tax will be withheld but these funds are now available for withdrawal as you would from any regular RSP or RIF.
- Take some funds in cash less withholding tax and transfer the rest to an RSP or RIF.

### 2. Will I receive the amount I have been approved for? Will taxes be withheld on this amount?

The amount that you should receive is the amount that you have been approved for under the FHU program (net amount). The amount that will be withdrawn from your LIRA or LIF is this net amount plus income tax withheld and any applicable fees (gross amount). This assumes that the value of your account is enough to cover this amount.

If you choose to transfer funds to an RRSP instead of taking it in cash, the amount that will be transferred into the RRSP will be the amount that was approved plus the income tax that would have been withheld had it been taken as cash (the grossed up amount).

Example 1: Sally Adams has been approved to unlock \$10,000 under the Financial Hardship Unlocking program and has chosen to take this amount in cash.

Assuming no fees, her financial institution will withdraw \$12,500 from her LIRA, of which \$2,500 will be income tax withheld and \$10,000 will be paid to Sally.

Example 2: Frank Smith has been approved to unlock \$25,000 and his financial institution charges \$100 in fees to do this. The financial institution will unlock \$35,814.29 with \$100 for fees, \$10,714.29 withheld for income tax and \$25,000 will be paid to Frank.

You may owe more income tax on the money you unlocked when you file your taxes with the Canada Revenue Agency (CRA) at the end of the year.

- 3. My application has been approved for a specific amount but I have less than that in my LIRA or LIF. Can I withdraw the rest from another LIRA or LIF that I have?**

No. The *Application to Unlock Alberta Funds due to Financial Hardship* can only be used to unlock one LIRA or LIF at a time. If you would like to unlock more than one account, you will need to apply on a separate application form.

- 4. If I have been approved to unlock a certain amount, can I withdraw some of the money now and withdraw the rest at a later date?**

If you are approved to unlock funds under the FHU program, those funds must be unlocked all at one time. You can choose to unlock less than the approved amount but cannot ask for the remainder of the amount that was approved at a later date.

At the time of unlocking, you can choose to transfer the funds to a bank account, transfer them into an RRSP or a combination of these two options.

- 5. After the amount approved under the FHU program including withholding tax was withdrawn from my LIRA or LIF, the value of my account is less than the 'Small Amounts' number. Can I now unlock the rest of my LIRA or LIF?**

Yes. If the market value of your LIRA or LIF falls below \$11,180 in 2018, even due to unlocking under the FHU program, you can unlock the remainder of your account under the Small Amounts provision. If you are 65 years of age or older then the small amount is \$22,360 for 2018. More information on small amounts can be found on the Alberta Treasury Board and Finance website.

- 6. Is there a minimum amount that can be unlocked under the FHU program?**

There is no minimum amount that can be unlocked if it has been approved under the Financial Hardship Unlocking program.

- 7. If I unlock funds from my LIRA or LIF, can I pay them back at a later date?**

You cannot 'pay back' the funds you have withdrawn from a LIRA or LIF but you may be eligible to save towards your retirement by investing in an RRSP.



**8. My LIRA or LIF is invested in a non-redeemable GIC but I have been approved to unlock money under the FHU program. Does my financial institution need to release my money to me?**

No, you cannot unlock your money if you have it invested for a specific period of time or have chosen an investment that cannot be unlocked. Approval under the FHU program does not supersede any contractual agreements you have entered into with your financial institution.

**9. If my application is denied, can I apply again in the same year for the same reason?**

Regardless of the result of your application, you can only apply under each reason once per calendar year.

**10. If I feel my application was wrongly denied, who do I contact to file a complaint?**

If you are not satisfied with the decision made by your financial institution, you can contact the dispute resolution department of your financial institution. Do not contact the Government of Alberta as the processing of this application is entirely between you and your financial institution.