



# RE: UNLOCKING PENSION FUNDS IN LOCKED-IN ACCOUNTS

**October 2, 2026**

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**October 2, 2026**

Attention

Unlocking Pension Funds in Locked-in Accounts  
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**RE: UNLOCKING PENSION FUNDS IN LOCKED-IN ACCOUNTS**

The Canadian Forum for Financial Markets (CFFiM)/Forum Canadien des Marchés Financiers (FCMFi) is dedicated to advancing proposals that foster healthy, competitive financial markets and a resilient Canadian economy.

**EXECUTIVE SUMMARY**

The government's proposal to unlock Life Income Funds (LIFs), locked-in Retirement Income Funds (LRIFs) and Locked-In Retirement Accounts (LIRAs) in specified circumstances (the Proposal) comes at a time when many Ontario households are experiencing financial pressure.

The Proposal is in keeping with measures adopted in other provinces. It raises questions as to whether the differential treatment of retirement savings due to source continues to be justified.

Its shift toward greater individual financial autonomy also raises questions regarding retirement income adequacy. Solutions lie in better access to both tailored and non-tailored advice for investors. This includes assessing the impact of escalating regulatory requirements such as Client Focused Reforms (CFRs) on the availability of individualized advice to mass market investors and further widening the range of tools available to Order Execution Only (OEO) investors.

**I. THE BACKGROUND**

**a) Existing Framework**

When employees terminate their membership in an employer-sponsored pension plan, they may, where permitted under the terms of the plan and Ontario pension legislation, have the option of transferring the commuted value of their pension benefit to a locked-in retirement account offered by a financial

institution.<sup>1</sup> A LIRA is broadly the locked-in equivalent of an RRSP: the assets originate from a registered pension plan and generally must remain locked in and be used to provide retirement income.<sup>2</sup> To begin receiving retirement income, assets in a LIRA can generally be transferred to a Life Income Fund (LIF), which is broadly the locked-in equivalent of a Registered Retirement Income Fund (RRIF).<sup>3</sup>

Because these assets are “locked in,” they generally cannot be withdrawn as a lump sum and must instead be preserved to provide retirement income, subject to specified exceptions. Ontario currently permits financial-hardship unlocking for four categories: medical expenses; arrears of rent or default on debt secured against a principal residence, such as a mortgage; first and last months’ rent; and low expected income.<sup>4</sup> Ontario also permits unlocking in certain non-hardship circumstances, including where an account holder is at least 55 years old and the total value of all of the individual’s Ontario locked-in accounts is less than 40% of the Year’s Maximum Pensionable Earnings (YMPE)—\$29,840 in 2026.<sup>5</sup> Other non-hardship exceptions include shortened life expectancy, non-residency and certain amounts transferred in excess of limits under the *Income Tax Act*.<sup>6</sup>

LIRAs, LRIFs and LIFs receive tax treatment broadly equivalent to RRSPs and RRIFs, respectively: investment income generally accrues on a tax-deferred basis while it remains in the registered plan, while amounts withdrawn are generally taxable when received.<sup>7</sup> LIRAs, LRIFs and LIFs contain assets originating from pension benefits and remain subject to pension standards legislation that restricts when and how those assets may be accessed.<sup>8</sup>

## b) The Proposal

The [Proposal](#) would make two changes to Ontario’s framework governing the unlocking of locked-in retirement assets:

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<sup>1</sup> *Pension Benefits Act*, R.S.O. 1990, c. P.8, s. 42(1)(b); R.R.O. 1990, Reg. 909, Schedule 3, s. 1.

<sup>2</sup> Canada Revenue Agency, *RRSPs and Other Registered Plans for Retirement*, T4040, “Locked-in RRSP,” Government of Canada.

<sup>3</sup> Canada Revenue Agency, *Registered Retirement Income Funds*, Information Circular IC78-18R7, Government of Canada, paras. 37–38.

<sup>4</sup> Financial Services Regulatory Authority of Ontario, “Withdrawing from Locked-in Accounts because of Financial Hardship.”

<sup>5</sup> Financial Services Regulatory Authority of Ontario, “User Guide for Form 5—Application to Withdraw or Transfer Money from an Ontario Locked-in Account.”

<sup>6</sup> Financial Services Regulatory Authority of Ontario, “Pension Unlocking: Non-Hardship”.

<sup>7</sup> Canada Revenue Agency, *RRSPs and Other Registered Plans for Retirement*, T4040, Government of Canada.

<sup>8</sup> Canada Revenue Agency, *Registered Plans Directorate Technical Manual*, ch. 4, “147.3—Transfers,” Government of Canada, sec. 4.1, *Pension Benefits Act*, R.S.O. 1990, c. P.8; R.R.O. 1990, Reg. 909, Schedules 1, 1.1 and 3.

- **i)** Holders of Life Income Funds (LIFs) and locked-in Retirement Income Funds (LRIFs)<sup>9</sup> who have reached the earliest date<sup>10</sup> at which they are entitled to receive a pension under the originating pension plan would be permitted to fully unlock their funds.
- **ii)** The existing age-55 requirement for small-balance unlocking of Locked-In Retirement Accounts (LIRAs) would be removed, allowing LIRA holders of any age to fully unlock their funds where the total value of their Ontario locked-in accounts is less than 40% of the Year's Maximum Pensionable Earnings (\$29,840 in 2026), indexed annually (the "small balance rule").

## II. THE SUPPORTING DATA

The government indicates that it is proposing these changes to respond to Ontarians' evolving needs, including affordability challenges, by providing greater flexibility in accessing locked-in pension assets.

Though it has not included supporting data to its proposal, the proposal comes at a time when many Ontario households are experiencing financial pressure. Statistics Canada has reported high rates of difficulty meeting necessary household expenses in several Ontario communities: in 2023, 41.8% of people in St. Catharines–Niagara, 41.0% in Windsor, 40.7% in Kitchener–Cambridge–Waterloo, 38.1% in Toronto and 37.6% in Hamilton reported difficulty meeting their financial needs.<sup>11</sup> Housing costs have also placed pressure on household finances: 47% of Ontario respondents to a 2022 Statistics Canada survey reported being very concerned about their ability to afford housing or rent.<sup>12</sup> In 2025, 52,838 Ontario consumers filed insolvency proceedings, an increase of 2.3% from 2024.<sup>13</sup>

The above supports the value of providing individuals with greater flexibility to respond to their own financial circumstances.

## III. OTHER PROVINCES

The Proposal is consistent with measures already adopted in other Canadian provinces.

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<sup>9</sup> Locked-In Retirement Income Funds (LRIFs) were available in Ontario until December 31, 2008, but LRIFs established before that date remain in place.

<sup>10</sup> Often this will be age 55, but it could be age 50 in some plans.

<sup>11</sup> Statistics Canada, "Labour Force Survey, October 2023," *The Daily*, November 3, 2023; Statistics Canada, "Households in Southern Ontario Most Likely to Report Difficulty Meeting Financial Needs," November 3, 2023.

<sup>12</sup> Statistics Canada, "One in Four Canadians Are Unable to Cover an Unexpected Expense of \$500," *The Daily*, February 13, 2023.

<sup>13</sup> Office of the Superintendent of Bankruptcy Canada, *Insolvency Statistics in Canada—2025* (Innovation, Science and Economic Development Canada, 2026).

Quebec eliminated maximum annual LIF withdrawal limits for individuals aged 55 and older, effective January 1, 2025, allowing them to withdraw all or part of their LIF assets.<sup>14</sup> Quebec generally permits small-balance LIRA unlocking where the individual is at least 65 and applicable locked-in retirement savings do not exceed 40% of the Maximum Pensionable Earnings.<sup>15</sup>

Manitoba permits full unlocking of LIRAs and LIFs at age 65 and a one-time transfer of up to 50% of locked-in assets to an unlocked prescribed RRIF from age 55.<sup>16</sup> Small-balance unlocking, however, is available at any age. For individuals under 65, the aggregate value of their LIRAs and LIFs is projected to age 65 using a prescribed 6% annual compound-interest assumption and may be unlocked if the resulting amount is less than 40% of the applicable Year's Maximum Pensionable Earnings (YMPE).<sup>17</sup>

#### IV. THE CONSIDERATIONS

Ensuring that Canadians have adequate income throughout retirement is a broad, increasingly important public policy concern, particularly as people live longer and may need to finance longer periods of retirement.<sup>18</sup>

The Proposal's greater shift toward individual financial autonomy raises considerations which include the following:

##### a) The Differential Treatment of Retirement Savings.

Subject to tax considerations, RRSP owners generally have discretion to make withdrawals at any time. By contrast, LIF, LRIF and LIRA owners cannot as freely access their capital because the assets originated in a pension plan. This raises the question of whether the source of the money belonging to the individual continues to justify different treatment. Once someone has left the pension plan and transferred the commuted value into a personally owned account, the case for continuing to restrict access weakens.

##### b) Retirement Income Adequacy

The proposed broader access to locked-in pension assets also raises questions of retirement income

<sup>14</sup> Retraite Québec, "Amendments Related to LIFs as of 2025," Government of Québec,

<sup>15</sup> Retraite Québec, "Refunding LIRAs," Government of Québec, accessed October 1, 2026. Quebec permits a person aged 65 or older to obtain a refund of a LIRA where the relevant aggregate locked-in retirement savings do not exceed 40% of the Maximum Pensionable Earnings (\$29,840 in 2026).

<sup>16</sup> Manitoba Office of the Superintendent—Pension Commission, "Unlocking or Accessing Pension Funds," Government of Manitoba,

<sup>17</sup> Manitoba, *Pension Benefits Regulation*, M.R. 39/2010, s. 10.65; Manitoba Office of the Superintendent—Pension Commission, *Policy Bulletin No. 4: Withdrawal or Unlocking of LIRAs and LIFs*, 5.

<sup>18</sup> In 1992, life expectancy at 71 in Ontario was 13.7 years; today it is about 16.4 years. Source: Statistics Canada, [Life expectancy and other elements of the complete life table, three-year estimates, Canada, all provinces](#), January 13, 2026.

adequacy and reliance on public programs.

Though some retirement-income risk can effectively move from individuals to government, preventing access to savings while an individual faces financial hardship can also increase reliance on government assistance. Access could prevent financial damage. For example, it can be economically unsound to require someone to preserve a locked-in investment portfolio while simultaneously carrying very expensive debt, defaulting on obligations, or selling other assets under distressed circumstances.

### **c) The Value of Individual Autonomy: Differing Personal and Financial Circumstances**

There is also some tension between encouraging individuals to take responsibility for retirement planning while simultaneously assuming they cannot responsibly determine whether accessing pension capital is appropriate. The current rules can be seen as ‘paternalistic’ in preventing adults from accessing their own assets. The government effectively deciding which financial needs are sufficiently worthy to permit access to an individual’s money can be difficult to defend on facts and principles.

The existing exceptions reflect the accepted concept that locking-in should not be absolute. These exceptions are not necessarily properly drawn.

By way of simple examples, personal financial circumstances can evolve beyond current specified hardship categories (e.g. debt restructuring, family emergencies, caregiving costs and other extraordinary expenses). People can also have multiple sources of retirement income. Someone may have CPP, OAS, RRSPs, TFSAs, another pension, home equity and non-registered assets. Locking-in rules implicitly treat the pension account in isolation.

## **V. THE PROPOSED SOLUTION: INCREASED ACCESS TO (NON)TAILORED ADVICE**

Population-level measures of financial literacy can identify gaps in financial knowledge and behaviour, but they do not establish whether an individual is capable of making an informed decision about locked-in assets or whether restricting access to those assets produces better financial outcomes for that individual.<sup>19</sup> Rather these measures can be seen to support better access to both tailored and non-tailored advice for investors.

### **a) The Access Issue**

Ontario has an established advice market available to people who want professional assistance with an unlocking decision. Access to financial advice is uneven. Financial Services Regulatory Authority of Ontario (FSRA) has found that “financially vulnerable investors”, according to its methodology, are less likely to work with a financial professional despite having a need for advice. In a 2024 FSRA survey of more than 1,000 Ontario consumers, 34 per cent were currently working with a financial advisor or planner, while 40 per cent had never worked with one. The disparity increased substantially with financial vulnerability: 44 per cent of consumers with low or no financial vulnerability were currently working with an advisor or planner, compared with only 12 per cent of highly vulnerable consumers. Conversely, 51 per cent of highly

<sup>19</sup> Financial Consumer Agency of Canada, “Canadian Financial Capability Survey,” *FCAC Datasets Catalogue*; Financial Consumer Agency of Canada, “Saving Early for Retirement Readiness,” November 13, 2025, updated June 24, 2026.

vulnerable consumers had never worked with an advisor or planner, compared with 33 per cent of consumers with low or no vulnerability.<sup>20</sup> National evidence similarly shows that lower-income Canadians are less likely to obtain advice from professional advisors and financial institutions.<sup>21</sup>

The result is that the people for whom affordability-driven unlocking may be most attractive are also the people least likely to have professional financial advice when deciding whether to access retirement assets.

#### **b) Measuring Outcomes to Increase Access**

In 2021, the Canadian Securities Administrators (CSA) implemented its substantial revision to the provision of investment advice through its CFRs, which imposed additional obligations including enhanced suitability. Since implementation, regulators have acknowledged that firms have invested significant resources on the CFRs and have extensively reviewed whether firms are complying with them. Compliance is important, but only a partial consideration.<sup>22</sup> The reviews do not address issues such as whether, after CFRs, minimum account sizes increased, firms stopped serving particular client segments, product shelves narrowed, and costs made small accounts uneconomic.

It has been recognized that escalating regulatory requirements can make serving mass-market investors uneconomical, diminishing financial inclusion as firms impose minimum-asset thresholds that disproportionately restrict access for price-sensitive and lower-asset households. Yet, Canada has yet to develop a systematic mechanism for assessing and managing the cumulative impact of financial regulation.<sup>23</sup>

As the people most likely to need assistance with a consequential pension-unlocking decision may be precisely those for whom professional advice is least accessible, the impact of CFRs and escalating regulatory requirements should be prioritized with a view to increased access to advice.

#### **c) Also Expanding Access to Non-Tailored Advice**

Order-execution-only (OEO) accounts were expressly designed to give investors who make their own decisions a lower-cost alternative to the traditional full-service model. Ontarians who do not have access to, or do not wish to pay for, professional financial advice can increasingly manage investments through lower-cost self-directed accounts.

The OEO channel has experienced what the Canadian Investment Regulatory Organization (CIRO )

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<sup>20</sup> Financial Services Regulatory Authority of Ontario, *Financial Advisor and Financial Planner Research* (Toronto: FSRA, 2024).

<sup>21</sup> Financial Consumer Agency of Canada, “Getting Financial Advice,” *Canada Finance Data Stories*, November 13, 2025, updated June 24, 2026.

<sup>22</sup> Canadian Securities Administrators and Canadian Investment Regulatory Organization, “CSA and CIRO Provide Findings and Guidance from Latest Phase of Client Focused Reforms Reviews,” December 10, 2025.

<sup>23</sup> Gary Edwards, *Regulatory Reset: A Policy Roadmap for Expanding Financial Advice to Middle- and Lower-Income Canadians*, Commentary No. 693 (Toronto: C.D. Howe Institute, 2025).

describes as “significant and continuous growth” in the number of do-it-yourself investors.<sup>24</sup> CIRO broadened its OEO guidance in March 2026 to permit OEO dealers to provide a wider range of “decision-making supports”, including educational information and tools.<sup>25</sup> Building on this approach, CIRO should further consider additional tools and forms of non-tailored advice that can responsibly be made available through the OEO channel without a suitability review.

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<sup>24</sup> Canadian Investment Regulatory Organization, “New Guidance on Order Execution Only Account Services and Activities,” Rules Bulletin 26-0059, March 12, 2026.

<sup>25</sup> Ibid.