



SSC # 88 - TAXATION OF LIFE ANNUITIES IN CANADA

This course is eligible for:

1.5 Life & A&S CE Credits for BC, SK, MB & ON.

1.5 Life ONLY CE Credits for AB.

Target Audience

This course is designed for all Canadian financial services professionals who advise clients on retirement income, decumulation strategies, or insurance-based financial products, including:

- **Licensed Life Insurance Agents and Brokers** across all provinces and territories who sell or recommend life annuity products and must understand the tax treatment of those products to meet their disclosure and suitability obligations.
- **Certified Financial Planners (CFPs) and Registered Financial Planners (R.F.P.s)** who model retirement income scenarios and are required by FP Canada's Standards of Professional Responsibility to provide technically accurate, holistic retirement income advice.
- **Mutual Fund Dealers and Representatives** seeking to understand how annuity products interact with existing registered and non-registered investment portfolios in a client's overall retirement income strategy.
- **Actuaries, Tax Professionals, and Estate Planners** who work in a cross-professional capacity with retirement income planners and require a working knowledge of annuity taxation to co-ordinate with financial planning clients.

No advanced tax qualifications are required. This course provides all necessary tax context within the manuscript. Basic familiarity with RRSP, RRIF, CPP, and OAS is assumed.

Course Overview

After years of low interest rates that made annuities unattractive, 2026 marks a true annuity comeback. With the Bank of Canada holding rates near 5%, lifetime income levels have surged — often 40% higher than just a few years ago — putting guaranteed income back at the centre of retirement planning conversations.

At the same time, Canadians are living longer than ever, and the risk of outliving savings has become a top concern for retirees. Annuities offer something RRIFs cannot: protection from longevity and sequence-of-returns risk, delivered through guaranteed income for life.

New policy developments, including the full rollout of the Advanced Life Deferred Annuity (ALDA), have expanded the tools available to advisors seeking to build resilient decumulation plans. Yet taxation remains the most misunderstood aspect of annuity planning — from prescribed vs. non-prescribed rules to OAS recovery tax implications and ALDA/RRIF interactions.

This course gives advisors the clarity, confidence, and practical frameworks needed to position annuities effectively in today's higher-rate, longer-lifespan environment — and to deliver accurate, after-tax retirement income strategies that clients can rely on for life.

Learning Objectives

Upon successful completion of this course, the learner will be able to:

1. **Identify** the primary types of life annuities available in Canada — including immediate, deferred, life-only, joint-and-survivor, life with guarantee, life with cash refund, prescribed, non-prescribed, ALDA, and variable payout annuities — and distinguish their structural and tax characteristics.
2. **Explain** the prescribed annuity tax treatment under Income Tax Regulation 304, including the concepts of income blending, the T5 slip reporting mechanism, and the qualifying conditions required for prescribed status.
3. **Compare** the tax treatment of prescribed and non-prescribed annuities for non-registered funds, applying the accrual method to non-prescribed annuities and identifying the advisors and clients most affected by each treatment.
4. **Calculate** the taxable income arising from a prescribed annuity and a registered (RRSP/RRIF) annuity using representative client examples and apply pension income credit and pension income splitting rules where applicable.
5. **Describe** the mechanics of the Advanced Life Deferred Annuity (ALDA), including transfer limits, the 25% rule, the indexed dollar maximum, the effect of an ALDA purchase on RRIF minimum withdrawals, and the full income inclusion on ALDA payments.
6. **Apply** the concept of prescribed annuity income in the context of OAS recovery tax (clawback) and GIS income testing, demonstrating how strategic annuity selection can reduce or eliminate OAS clawback for income-sensitive clients.
7. **Assess** the suitability of a life annuity recommendation for a given client profile by applying the 10-point suitability checklist, addressing liquidity, inflation risk, ASSURIS protection, impaired life considerations, and the annuity puzzle behavioural factors.
8. **Apply** the regulatory obligations — under CIRO, FP Canada, CSF, and applicable provincial insurance legislation — to an annuity recommendation scenario, including suitability documentation, disclosure of irrevocability, and the requirement for an insurance licence to sell life annuities.