B U I L D I N G W E A L T H

THE INCOME INVESTOR

Volume 18, Number 22 **Issue #2022** **November 26, 2020**

IN THIS ISSUE

Editor and Publisher: Gordon Pape
Associate Publisher: Richard Croft
Associate Editor: Mike Keerma

Reprint permission: Contact customer service
Phone: 1-888-287-8229
Email: customer.service@buildingwealth.ca

Next update issue:
December 3

BIG PAYOUTS – BUT FOR HOW LONG?

By Gordon Pape, Editor and Publisher

In these days of historically low interest rates, how does a stock that yields 7.9% sound to you?

Or how about one with a yield of 8.9%?

You can buy either or both right now. Both are recommendations of this newsletter. Both have investment-grade ratings from two bond rating agencies. Both insist the dividend is secure and will not be cut.

What's the catch? The two companies are in the beaten-down energy sector. Neither is involved in exploration and production of oil and gas, but they provide services to the battered industry. That makes them high risk in the eyes of many investors.

Are they worth a shot, in light of their attractive yields? Yes, if you are willing to accept the risk that comes with them. Here are the details. Prices are of as of the close of trading on Nov. 20.

Pembina Pipeline Corp. (TSX: PPL, NYSE: PBA)

Type: Common stock.
Originally recommended: June 23/09 at C$14.78
Current price: C$31.80, US$24.27
Annual payout: $2.52
Yield: 7.9%
Risk rating: High
Website: www.pembina.com

Comments: Pembina owns and operates an integrated system of pipelines that transport various products derived from natural gas and hydrocarbon liquids produced primarily in western Canada. The company also owns and operates gas gathering and processing facilities and an oil and natural gas liquids infrastructure and logistics business.

Pembina's revenue and profits have taken a hit this year, but unlike many companies in the energy sector, it has not cut its dividend. On the contrary, the company has repeatedly stressed its commitment to maintain the monthly payout at a lofty $0.21 a share ($2.52 a year). That works out to a yield of 7.9% at the current price.

Continued on page 2…

Big payouts – continued from page 1…

Third-quarter results showed revenue of just under $1.6 billion, down from $1.7 billion in the same period of 2019. Earnings were $318 million ($0.51 per share, fully diluted), down from $370 million ($0.66 per share) the year before.

Adjusted EBITDA was $796 million, up 8% from $736 million on the third quarter of 2019. New acquisitions acquired from Kinder Morgan were important contributors to the improvement.

The company expects adjusted EBITDA for the year to be within the original guidance range set in the fourth quarter of 2019, albeit near the lower end of that range. Based on the current outlook for the remainder of the year, the company has narrowed its guidance range and expects to generate adjusted EBITDA of $3.25-$3.30 billion in 2020.

The balance sheet appears to be in good shape, something that cannot be said for many energy companies. During the second quarter, Pembina's credit ratings were affirmed at BBB (investment grade) by both Standard & Poor's and DBRS Limited, with the outlook or trend maintained as stable.

As for the dividend, the company said last spring that its dividend is more than covered by fee-based cash flows, meaning the company is not reliant on the portion of its business with direct commodity price exposure to pay the current dividend.

In its third-quarter report, the company continues to express confidence. During the first nine months of the year, Pembina's ratio of common share dividends to adjusted cash flow from operating activities was approximately 60%. Management said the company's commitment to its dividend can be "evidenced by examining its history."

The high yield suggests that investors are still skeptical that the company will be able to sustain the dividend through 2021 if the economic environment does not improve. But Pembina's repeated strong insistence that the dividend is secure means events would have to take a disastrous turn for it to reverse course now.

Action now: The stock is a Buy for investors who can deal with risk.

Keyera Corp. (TSX: KEY, OTC: KEYUF)

Type: Common stock
Current price: C$21.53, US$16.47
Originally recommended: July 21/04 at C$6.03 (split-adjusted)
Annual payout: $1.92
Yield: 8.9%
Risk rating: Higher risk
Website: www.keyera.com

Comments: Keyera is primarily in the natural gas and natural gas liquids (NGL) business, providing such services as gathering, processing, fractionation, storage, transportation, and marketing. It does not do any exploration or production.

Like Pembina, Keyera has not cut its dividend and insists it has no plans to do so. In its third-quarter report, the company said its strong balance sheet and low (54%) payout ratio will allow it to continue to fund its growth capital projects without issuing new equity and to maintain its current monthly dividend of $0.16 per share or $1.92 annually.

At that rate, the stock is yielding 8.9%. As with Pembina, this suggests a high degree of investor skepticism, but the company is adamant that the payout is sustainable.

Third-quarter results saw a 78% drop in net earnings, from $154.4 million ($0.72 a share) in 2019 to $33.4 million ($0.15 a share) this year.

Distributable cash flow fared better, coming in at $174.9 million ($0.79 a share) compared with $183.8 million ($0.85 a share) in 2019. Year-to-date, distributable cash flow was $586 million ($2.66 per share), an improvement from $435 million ($2.04 per share) in the first nine months of 2019.

Adjusted EBITDA for the first nine months of the year was $705 million compared with $683 million last year.

"We continue to maintain our strong financial position, a priority that has remained consistent throughout the history of our company," the company said in a message to shareholders.

"We have a strong balance sheet at Sept. 30, with a net debt to adjusted EBITDA ratio of 2.4 times, two investment grade credit ratings, access to $1.4 billion on our credit facility, and minimal long-term debt obligations in the next five years. In today's uncertain markets, our financial strength and liquidity enhance our capacity to navigate challenges, while providing flexibility to be opportunistic."

Action now: Again, a Buy for investors with strong stomachs.

NEW TRADITIONS

By Richard Croft, Associate Publisher

Could we be witnessing a return to value stocks? You remember these – dividend- paying stocks trading at reasonable price to earnings multiples? Hard to imagine market participants seeking out old-economy stalwarts after a sustained period where value, despite some fits and starts, has underperformed growth.

More important, since our focus is on conservative income investors, is the contrast between common and preferred shares with dividends paid at management's discretion versus lower-risk bonds offering guaranteed interest payments. In short, the decision to overweight common and preferred equity rests with weighing the probability that a company's management will cut dividends against the perceived risk-reduction benefit of holding bonds.

Bonds provide excellent portfolio ballast during the initial wave of the pandemic. However, since the initial selloff and subsequent rebound, continuing to hold bonds in a portfolio may do more harm than good. One can argue that with interest rates at or near zero, bonds may be the highest-risk asset class – risk exacerbated on a sliding scale that corresponds to the term to maturity. Which is to say, the longer the term to maturity the higher the risk.

As a refresher, bond prices move inversely to interest rates. Rising rates means lower bond prices, while declining rates means higher bond prices. It is hard to imagine a scenario where interest rates, already near zero, will decline significantly. Unless, of course, you subscribe to the theoretical benefits of negative interest rates. With interest rates more likely to rise than to fall, it raises questions about the risk-reduction benefits one might get from holding bonds in an income mandate.

The principal case for moving away from bonds into dividend paying common and preferred shares hinges on how confident we are that dividend payouts will continue uninterrupted. To that end, we look to the big-five Canadian banks as the poster children, along with other blue-chip names like BCE Inc. and Canadian Utilities not far behind.

Other factors are more transparent. The income from bonds is about 30% of the payout from dividend paying common shares and preferred stock. Not to mention the chasm between the after-tax return from dividends (benefitting from the dividend tax credit) versus interest (taxed as ordinary income).

In support of a non-traditional income allocation

The challenge with a non-traditional portfolio is that it shifts the asset mix from a historically conservative allocation (i.e. 60% bonds/10% cash/30% common equity) into something that looks more like a growth or balanced mandate (i.e., 5% cash/30% preferred shares/65% common equity). Since preferred shares are categorized as equity assets, the non-traditional income allocation can be as high as 95% equity.

That is a challenge for low-risk investors who depend on diversification across asset classes to minimize volatility. Investors who buy into the non-traditional income portfolio, must forego the perceived stability associated with bonds.

However, any risk reduction benefits must be benchmarked against the impact a significant bond component has on medium- and long-term portfolio performance. We measure that by calculating the income being generated through dividends and the risk of that income being disrupted, versus what can be achieved with interest payments from quality bonds. In an environment with near-zero interest rates where any hint of inflation would skewer bond price stability, it is hard to justify the benefits derived from reduced volatility being worth the cost of performance mitigation.

The relationship between near-zero interest rates and bond price stability is particularly relevant. Assuming the vaccine delivers the promised results (i.e., eradication of COVID-19), there is a real possibility that interest rates could rise in lockstep with an economic recovery, which could occur as early as the second quarter 2021.

All of this seems remote given the prognosis of a dark winter where COVID cases and hospitalizations are rising at an exponential rate. However, inflation hinges on the trajectory of an impending recovery. A slow upward trajectory would likely ease inflation expectations, but a global surge propelled by pent-up consumer demand may well cause an inflationary spike.

Continued on page 4…

Traditions – continued from page 3…

This first scenario would have minimal impact on either portfolio model. It would not harm the non-traditional model and would not benefit the traditional conservative bond/equity allocation.

The second scenario would have a more pronounced impact. In the traditional equity/bond allocation, a sharp V-shaped spike in economic activity would likely lead to a bear market in bonds. It would have less of an impact on the non-traditional overweighted equity model because the common shares would likely benefit from a spike in economic activity while the preferred shares will underperform as they would be subjected to the same share price/interest rate fulcrum that affects bonds.

The only scenario in which the non-traditional portfolio underperforms is where interest rates continue to decline. If rates were to move into negative territory, bond prices would rise…probably significantly! But in that scenario, we would also see an upward swing in the value of the common and preferred shares, which are overweighted in the non-traditional model.

I wanted to share these scenarios because they support the view that a non-traditional approach to your income portfolio is not as risky as you might think. In fact, a traditional bond/equity allocation may be risker.

Maybe it's time to change traditions.

Recommendations

In keeping with the theme of this month's column, I offer five recommendations, all blue-chip common shares. They include three of the big five Canadian banks and two value plays. The common shares are listed in order of safety, with consideration to the continuity and growth of the dividends. For each security I show their current yield and the three-year dividend growth trajectory. For example, the Bank of Montreal (TSX: BMO) has the lowest dividend yield (4.63%) but the highest three-year dividend growth rate (13.01%).

Description	Symbol	Mkt Price	Yield	Growth
Bank of Montreal	BMO	$91.10	4.63%	13.01%
Bank of Nova Scotia	BNS	$62.87	5.74%	5.54%
CIBC	CM	$109.40	5.34%	4.36%
BCE Inc.	BCE	$56.65	5.88%	4.41%
Canadian Utilities Limited	CU	$31.44	5.54%	6.53%

Richard Croft has been in the investment business for more than 40 years and is the founder of R.N. Croft Financial Group. As a global portfolio manager and option specialist, his focus is helping investors clarify their goals and risk tolerances, leading to an appropriate risk-adjusted portfolio. He can be contacted at rcroft@croftgroup.com

TOP PICK

Here is our Top Pick for this month. Prices are as of the close of trading on Nov. 23 unless otherwise indicated.

iShares Core Balanced ETF Portfolio (TSX: XBAL)

Type: Exchange traded fund
Current price: $25.23
Entry level: Current price
Annual payout: $0.512 (trailing 12 months)
Yield: 2.03%
Risk: Low-Moderate
Recommended by: Gordon Pape
Website: www.ishares.ca

Background: Balanced funds have not been big sellers for the ETF industry. As a result, there has not been a lot of choice until recently. Now, many more are appearing, but they don't have enough history to determine how well they will perform against the competition over time. This is one of the few exceptions. It was launched in 2007, so we have a good idea of what to expect from it.

The security: This is a balanced ETF that invests globally in a portfolio that is roughly divided 60% stocks, 40% bonds. It's a fund of funds, holding assets in eight basic iShares funds.

Performance: For the 10 years to Oct. 31, this ETF generated an average annual compounded rate of return of 5.4%. Year-to-date (to Nov. 19) it has returned 8.1%.

Why we like it: This fund offers one-stop shopping for investors who want to hold a balanced portfolio with

Continued on page 5…

Top pick – continued from page 4…

global reach. The risk is relatively low – when the ETF does have an off year, the loss is small. The yield isn't high, but the average annual total return is quite acceptable.

Key metrics: The fund has $424 million in assets under management. The management expense ratio is low at 0.2%.

Portfolio: The largest position is in the iShares Core S&P Total U.S. Stock ETF, which accounts for just over 29% of the fund. The iShares S&P/TSX Capped Composite ETF has about a 15% position. Overseas stocks, including emerging markets, represent about 18% of assets. The current asset mix is 62.1% equities, 37.6% bonds, and the rest in cash and derivatives.

Risks: The equity component means the fund is susceptible to stock market risk, but the fixed-income segment offsets that to some extent.

Distribution policy: The fund makes quarterly distributions that vary in amount. The trailing 12-month total is $0.512.

Who it's for: This ETF is suitable for low-risk investors who want a balanced portfolio with modest quarterly income.

How to buy: This ETF trades on the Toronto Stock Exchange. Average daily volume is almost 38,000 units so you should have no problem getting a fill.

Action now: Buy.

GORDON PAPE'S UPDATES

Note: Prices are as of the close on Nov. 23.

PrairieSky Royalty Ltd. (TSX: PSK, OTC: PREKF)

Type: Common stock
Current price: C$10.60, US$7.70
Originally recommended: June 15/17 at C$29.59, US$21.83
Annual payout: $0.24
Yield: 2.6%
Risk: Higher risk
Website: www.prairiesky.com

Comments: It has been a terrible year for oil and gas companies. No matter where you look, there is carnage. PrairieSky did not escape the fallout even though it is a royalty company rather than a higher risk producer.

Third-quarter results showed revenue was down 26% from the same period last year, to $43.5 million. Funds from operations (FFO) were down 22%, to $37.9 million ($0.16 per share). Net earnings were off almost 44%, to $9.4 million ($0.06 per share). If you want to look on the bright side, at least there were earnings. Most oil and gas companies are spewing red ink.

PrairieSky slashed its dividend earlier this year, cutting it from $0.065 a month ($0.78 a year) to $0.06 a quarter ($0.24 a year). That works out to a yield of 2.5% at the current price. That appears to be sustainable, providing the sector doesn't run into another crisis.

Management believes the market is undervaluing its stock. The company bought back 8.9 million shares in the quarter under a normal course issuer bid, about 4% of the outstanding float.

Action now: Sell. PrairieSky is better positioned than many other companies in this sector, but the low yield and the uncertain outlook make continuing to hold a bad idea.

Inter Pipeline (TSX: IPL, OTC: IPPLF)

Type: Common stock
Current price: C$12.87, US$9.79
Originally recommended: Oct. 21/09 at C$9.99, US$9.62
Annual payout: $0.48
Yield: 3.7%
Risk rating: Moderate
Website: www.interpipeline.com

Comments: It has not been a good year for this once dependable domestic pipeline company. The dividend was slashed by 72% in April, to $0.04 per month, or $0.48 annually, as the combination of the pandemic and low oil prices hit hard.

"The cost-of-service and fee-based cash flow from our pipeline and storage franchises are resilient as history has shown over many economic cycles," said CEO Christian Bayle at the time. "It is important to be clear that the decision of the board of directors to reset the dividend in no way reflects a lack of confidence in our core businesses. However, we are currently in a unique and very challenging business environment driven by the Covid-19 pandemic and oil supply conflict between Opec+ member nations."

Continued on page 6…

Gordon Pape's updates – continued from page 5…

Second-quarter results showed a decline in revenue and a big hit to profits, which fell 76% from $260.3 million ($0.63 per share) in 2019 to $62.5 million ($0.15 a share) this year.

Third-quarter results showed a small uptick in revenue compared with the year before, which was encouraging. But net income took another hit, dropping from $79.9 million ($0.19 a share) in 2019 to $38.7 million ($0.09 a share) this year. Funds from operations (FFO) came in at $196 million ($0.46 a share), down from $204.4 million ($0.49 a share) last year.

The share price dipped as low as $5.35 in the March selloff, down almost 77% from its 52-week high of $22.88. It recovered some of that ground but has been trading in a very narrow range for several months.

Earlier this month, the company announced the sale of most of its European storage business for about $730 million. The divestiture includes 18 million barrels of storage capacity across 15 storage terminals located in the United Kingdom, Ireland, Netherlands, and Germany. The company said the proceeds will be used to reduce debt, strengthen the balance sheet, and assist with financing its capital expenditure program, including the Heartland Petrochemical Complex. Inter Pipeline will continue to own and operate eight remaining terminals in Sweden and Denmark, which have approximately 19 million barrels of aggregate storage capacity.

Overall, I do not see a lot of promise for any comeback to the $20 price range in the foreseeable future. The dividend appears to be safe at the current level, but the yield is low for a company with minimal upside. My suggestion is to cash out and move on.

Action now: Sell.

Energy Giants Covered Call ETF (TSX: NXF, NXF.B)

Type: Exchange-traded fund
Trading symbols: NXF (Canadian dollar hedged), NXF.B (unhedged)
Current price: NXF: $3.87, NXF.B: $4.51
Originally recommended: June 15/18 at NXF: $8.83, NXF.B: $9.50
Annual payout (trailing 12 months): NXF: $0.4835, NXF.B: $0.5051
Yield: NXF: 13%, NXF.B: 11.5%
Risk: Higher risk
Website: www.firstasset.com

Comments: This ETF invests in the 15 largest non-Canadian energy companies. These may be integrated firms or exploration-and-production companies. The managers generate income through dividends and writing at- or near-the-money call options on 25% of the shares of each company in the portfolio.

We all know that the energy sector has taken a terrible beating, so it should come as no surprise that this fund is down more than 50% since it was recommended in 2018. The unhedged units have fared slightly better, but the total sector is in bad shape.

On the plus side, cash flow has held up well, but the yields are now at what look to be unsustainable levels, with NXF at 13%.

The fund has rallied somewhat from its low in March, but it is still down 46% since the start of the year.

Action now: Sell. The risk is too high. There are better places for your money.

Harvest Healthcare Leaders Income ETF (TSX: HHL.U)

Type: Exchange-traded fund
Current price: $7.89 (figures in U.S. dollars)
Originally recommended: June 29/18 at $8.11
Annual payout: $0.70
Yield: 8.7%
Risk: Moderate risk
Website: www.harvestportfolios.com

Comments: This ETF invests in an equally balanced portfolio of 20 leading health service companies, including insurers, equipment manufacturers, biotechnology, and pharmaceutical companies. Pharmaceuticals account for 45% of the portfolio. Some of the top names include AbbVie, Thermo Fisher Scientific, Zoetis Inc., Abbott Laboratories, and Bristol-Myers. All are large-cap companies (minimum capitalization is $5 billion) and most are U.S. based. The managers write covered call options on a portion of the holdings to generate additional cash flow.

There are three investment options. HHL.U is denominated in U.S. dollars; HHL is hedged back into Canadian dollars and priced in loonies; HHL.B is also priced in Canadian dollars but is unhedged.

The fund hasn't shot out the lights, but it is holding up well and generating income at the rate of $0.0583 per month. The yield on the U units is 8.7%. The three-year average annual compounded rate of return to the end of October is just under 5%.

Continued on page 7…

Gordon Pape's updates – continued from page 6…

In summation, this ETF is performing about as expected. It is providing good cash flow while maintaining its market value.

Action now: Buy.

BMO U.S. Dividend ETF (TSX: ZDY.U)

Type: Exchange-traded fund
Originally recommended: Dec. 4/14 at US$19.04
Current price: US$24.19
Annual payout: US$0.84
Yield: 3.5%
Risk: Moderate
Website: www.etfs.bmo.com

Comments: This ETF has been designed to provide exposure to a yield-weighted portfolio of U.S. dividend paying stocks. It utilizes a rules-based methodology that considers the three-year dividend growth rate, yield, and payout ratio to choose securities. Although the fund trades on the Toronto Stock Exchange, it is priced in U.S. dollars. Top holdings include Qualcomm Inc., JPMorgan Chase, AbbVie, AT&T, Wells Fargo, Texas Instruments, and Caterpillar. The portfolio is well diversified, with financials the leading sector (18.5%) followed by utilities (15.6%), information technology (12.7%), and healthcare (11.2%).

The fund has performed well for us. We have a capital gain of 26.5% since it was first recommended in 2014, and the forward yield based on a monthly distribution of $0.07 is 3.5%. It is a well-structured ETF and should be consider as a long-term hold in your portfolio.

Action now: Hold.

iShares S&P/TSX Composite High Dividend Index ETF (TSX: XEI)

Originally recommended: June 26/14 at $23.48
Current price: $19.28
Annual payout: $0.90 (forward 12 months)
Yield: 4.7%
Risk Rating: Moderate risk
Website: www.ishares.ca

Comments: This ETF invests in the 74 securities that make up the High Dividend Index of the Toronto Stock Exchange. For the most part, these are sound blue-chip companies, including the major banks, Manulife, Enbridge, Pembina Pipeline, BCE, Telus, etc.

Unfortunately, although the yield is good, this fund's overall performance has been on the downslide. The five-year average annual return to the end of October is a mere 3%. Year-to-date, the fund is showing a loss of about 10%.

It doesn't take a genius to figure out why. Energy stocks make up 28.6% of the portfolio. Suncor Energy and Canadian Natural Resources are the top two holdings. With a drag like that, it's no wonder this fund is in trouble. The low MER of 0.22% can't save it

At some point, this ETF may rally but given the grim prospects for energy that is likely to be a while. You can hang on for the yield if you like, but I suggest moving on.

Action now: Sell.

GAVIN GRAHAM'S UPDATE

Boralex (TSX: BLX; OTC: BRLXF)

Type: Common stock
Current price: $39.84, US$30.85
Originally recommended: July 26/18 at $20.12, U$15.44
Annual payout: $0.66
Yield: 1.7%
Risk: Moderate
Website: www.boralex.com

Comments: Boralex is a Quebec-headquartered developer and producer of renewable energy, with wind accounting for 90% of its 2,000 megawatts (MW) of capacity in 2019. The remainder was 8% hydro, 2% thermal, and 1% solar. Its facilities are located in renewable-friendly jurisdictions such as Quebec, France, where it is the largest onshore wind producer, and the U.S., primarily in New York state. In the year ended Dec. 31, 2019, Boralex recorded a 23% increase in electricity output, to 4,371 gigawatt hours (GWh), and a 7% increase in output from assets owned for the entire year, partially due to higher wind speeds in France.

In the third quarter ended Sept. 30, the company recorded energy sales of $105 million, up 14%. Combined EBITDA rose 18%, to $83 million, while cash flow from operations was up 84% to $58 million. The higher revenue and EDITDA was due to higher wind and hydro production in Canada, which was up 10% above

Continued on page 8…

Gavin Graham's update – continued from page 7…

the comparable quarter in 2019 and 6% above anticipated revenues. France's production was flat and 5% below anticipated levels, a reminder that wind power production is dependent on how strongly the wind blows.

For the nine months ended Sept. 30, revenues were up 11%, to $426 million. Combined EBITDA was up 10%, to $359 million. and cash flow rose 23%, to $261 million. The company made net earnings of $18 million ($0.20 per share) against a loss of $21 million (-$0.24 per share) in 2019.

The company produced 3,259 GWh of electricity in the period, up 8% compared with 3,005 GWh in the same period of 2019.

Boralex advanced four wind projects in France totalling 47MW in capacity to the ready-to-build stage, commissioned the 11MW Blanche Fosses wind farm in France in November, and submitted proposals for three solar parks totalling 140MW in New York state, the results of which will be announced early next year. It raised $201 million in new equity in August, lowering its total debt-to-capitalization ratio to 41% from 56%.

On Nov. 23, the company announced a deal with Centaurus Renewable Energy and certain other investors to acquire their controlling interests in seven solar plants located in the United States, for a purchase price of $283 million. The acquisition is expected to be completed by year-end.

CEO Patrick Lemaire is retiring at the end of the year to be replaced by Patrick Decostre.

To sum up, Boralex has continued to deliver on its plan to grow its capacity to 2,800MW by 2023 and has seen growth in revenues and cash flow. However, the enthusiasm for all things green and environmentally friendly, combined with the rise of ESG (Environmental, Social, and Governance) investing has led to its share price shooting up this year. Since the last update in April, the share price has risen 44%. It's up 16% in the last three months and 63% in the last year, before including dividends. The shares are ahead 91% since our original recommendation in July 2018, so it's time to take some profits.

Action now: Sell half.

YOUR QUESTIONS

RRIF with no money

Q – I opened a RRIF this year, but I have not put any money in it. I will be 69 next year. I do not need the money. Because I opened the account, do I have to move all of my RRSP, some, or none into it. – *Mike M., Victoria, BC*

A – Why would you bother to open a RRIF if you did not intend to contribute to it? You are not required to do so until the end of the year in which you turn 71. In your case, that would be 2023.

However, now that you have the RRIF, you should do something constructive with it. If you are not drawing income from a pension plan and you are at least age 65, you can claim the 15% pension income tax credit for the first $2,000 you withdraw from the RRIF each year. That's $300 a year off your tax bill. Your provincial tax credit will add to that. That means you have to transfer enough money from your RRSP to the RRIF to generate a withdrawal of $2,000 a year. You will be 68 on Jan. 1, 2021. The minimum withdrawal at that age is 4.55%. If you want to stick with the minimum, you'll need to move about $44,300 into the RRIF.

Of course, you could move less than that and take more than the minimum withdrawal to reach $2,000.

If you take action before Jan. 1, you'll be able to claim the credit on this year's tax return.

Note that this does not mean the $2,000 is tax free. That would only apply if you are in the lowest tax bracket. But the tax you pay will be much lower. And yes, it is okay to have both an RRSP and a RRIF at the same time. – *G.P.*