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FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

Pension Scams Cost You More than Retirement Savings

(TORONTO) July 26, 2001 - Advertised "deals" allowing you to get money out of a locked-in RRSP, a locked-in retirement account (LIRA), a Life Income Fund (LIF) or a locked-in retirement income fund (LRIF) may cost you more in the long run than merely the loss of money for your retirement. The Financial Services Commission of Ontario (FSCO) is warning people to be aware of problems that may arise.

If someone is facing financial hardship, and has a locked-in RRSP or LIRA, a LIF or a LRIF, FSCO has a branch that will assist people applying to unlock these funds. The *Pension Benefits Act* permits this in some circumstances.

"Companies claiming to be able to help you unlock funds for financial hardship are just charging an extra fee to fill out forms that are provided by FSCO," said Dave Gordon, Deputy Superintendent of Pensions at FSCO. "At FSCO, we have staff who can help people access their locked-in accounts if they meet the financial hardship criteria. While all successful applicants will pay a fee, there is no need for individuals to purchase assistance from one of these companies. Why should they pay twice to receive the same money?" said Mr. Gordon.

The second scam involves "loans" made with the locked-in account as collateral. Advertisements appearing in newspapers claim to have found a loophole in the federal *Income Tax Act* allowing the withdrawal of locked-in pension funds held in a Locked-in Retirement Account (LIRA), Life Income Fund (LIF) or Locked-in Retirement Income Fund (LRIF).

A variation of this scam involves the purchase of shares in a private company using your locked-in account as security. Money is then loaned against the shares of the company you have purchased.

These types of transactions are illegal under the Ontario *Pension Benefits Act*.

Taxpayers who get involved in these schemes may also face large, unexpected tax bills. Canada Customs and Revenue Agency has confirmed no tax loophole exists. If a locked-in account is used as security for a loan or to purchase shares in a company that is not a "qualified investment" under the *Income Tax Act*, the locked-in account ceases to be qualified and income tax becomes payable.

As well, depending on the fees charged by these companies, someone may receive only a small portion of their locked-in retirement savings and, in fact, a number of individuals have lost all of their locked-in retirement savings.

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For more information on unlocking for financial hardship please visit the FSCO website at <http://www.fSCO.gov.on.ca> or call 1-800-668-0128.

Media Contact
Brian Donlevy, Information Officer (416) 590-7057
bdonlevy@fSCO.gov.on.ca

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