

Individual Pension Plans: an RRSP alternative to help secure your financial future.

Many entrepreneurs and professionals often neglect making their RRSP contributions because they are solely focused on building their business or else find that RRSP limits are insufficient to provide an adequate retirement income. If you are 45 years or older, a business owner or manager, or an incorporated professional with an annual income over \$100,000, an Individual Pension Plan (IPP) is something you might want to consider.

An IPP is similar to an RRSP in that money accumulates over time, tax sheltered, in an account to provide you with retirement benefits. In addition, IPPs have the ability for larger tax deductible contributions than RRSPs, allow the option to contribute large deductible amounts for past service with your company and can be safe from creditors. Therefore, an IPP can be an ideal option, in the right circumstances, for your retirement and estate plan.

What is an IPP?

IPPs are defined benefit pension plans designed for one person. They are registered with Canada Revenue Agency (CRA) and are covered under the Income Tax Act.

IPPs promise a specific level of pension income at retirement according to a predetermined formula. This formula is based on a percentage of your earnings over a given period, so it's important to meet a certain income threshold during your working years.

Your annual IPP contribution limit is determined by an actuary, and increases as you get closer to your retirement date. Your IPP will also be sponsored and funded by your employer (which may be yourself).

Once funds are contributed, they are locked-in by pension legislation.

What are the key benefits?

First and foremost, your IPP contributions are tax deductible and can exceed the usual RRSP maximums. Plus, there is a potential to fund previous years of service and contribute a significant deductible lump sum.

Contributions and plan expenses are tax deductible for the employer which can, again, be your own company. In addition, the employer's contributions are an effective way to move corporate assets into your IPP, where they can grow on a tax-deferred basis. Your income from the plan is defined and it is based on your years of service and the applicable actuarial calculations.

Finally, under current legislation, IPPs may provide creditor protection to the funds in the plan. As an active business person, this is a layer of protection that may have future, unforeseen value.





Assemble the right professionals

Working with the appropriate group of professionals – such as an investment advisor, accountant, and pension actuary – it's easy to open and administer an Individual Pension Plan that makes sense for your circumstances.

A ScotiaMcLeod advisor has the knowledge, resources, and team of experts to help you create a plan that will increase your financial peace of mind today and throughout retirement.

