WOOD GUNDY

INDIVIDUAL PENSION PLAN

An IPP may allow you to accumulate significantly higher retirement assets than an RRSP

An Individual Pension Plan (IPP) is a defined benefit pension plan. The ideal candidate for an IPP is a business owner that is at least 40 years old and earns T4 income. IPPs typically provide significantly higher contributions than those permitted within a Registered Retirement Savings Plan (RRSP), when certain age and income conditions are met, thus providing more tax-sheltered savings for retirement.

IPP and RRSP comparison

As the contributions permitted in an IPP increase with age, IPP contributions can exceed RRSP contributions when the member is approximately 40 years old, depending on the individual's annual T4 income.

The RRSP limit for 2023 is $30,780.[1]

IPP maximum contributions

Age in 2023	Past service from 1991 or age 20	Current service
40	$27,100	$33,000
45	$128,500	$36,300
50	$302,800	$39,900
55	$487,000	$43,800
60	**$620,500**	**$48,100**
65	**$766,800**	**$50,400**
70	**$1,054,000**	**$44,700**

IPP contributions certified by Buck to fund defined benefits:

The following assumptions were used to calculate the contribution limits illustrated in the chart:

- Birth Date: January 1 for given year
- Earning the maximum annual earnings required to receive maximum pension benefits each year since 1991; $175,333.50 in 2023[2]
- No unused RRSP contribution room available
- 55 and 70, $851,200 at the age of 50, $746,600 at the age of 45 and $610,300 at the age of 40.

69% of Canadians are worried that they will not have enough savings in retirement to maintain their current lifestyle. This increases to 78% of Canadians who do not currently have a workplace retirement plan.

Source: The National Workplace Savings survey by Manulife Financial.

IPP key benefits

Benefits to corporation

- Allows the sponsoring corporation to make large, tax deductible contributions for current year's service and lump sum contributions for past service back to 1991 (or earlier if certain circumstances are met)
- If the corporation has to borrow to fund the IPP, the cost to borrow would also be a tax-deductible expense to the corporation
- Ability for succession planning when family members work for the corporation
- All actuarial, accounting, administration and possibly the IPP investment management fees paid directly by the corporation (not from the IPP fund) are generally tax-deductible expenses to the corporation

Benefits to employees

- Provides predictable retirement income
- Potential for higher contribution limits than an RRSP
- IPP allows for lump sum contributions for past service since 1991 (or earlier if certain circumstances are met)
- An excellent way to increase retirement assets
- Plan assets may be creditor protected

Retirement options

When you retire, you will have the ability to select how accumulated funds can be received:

- Withdraw a monthly pension from the IPP
- Transfer the commuted value of the plan to a registered account
- Purchase an annuity

Find out what an IPP can do for you and your business. Request your customized IPP illustration from your advisor today.

This free illustration will provide you with a detailed and personalized breakdown of pension assets that you can potentially accumulate, including the growth potential, advantages, disadvantages and relevant terms and conditions of an IPP.

[1] Source: canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/pspa/mp-rrsp-dpsp-tfsa-limits-ympe.html.

[2] Annual income level is approximated based on the annual Defined Benefit plan limit of $3,506.67 for 2023 and maximum permitted accrual rate of 2% as per paragraph 8503(3)(g) of the Income Tax Regulations.

09/21