

Your financial advisor can work with your tax advisor to determine whether an IPP is an appropriate solution for you.

## Our association with Gordon B. Lang & Associates

Canada Life™ has formed a strategic alliance with Gordon B. Lang & Associates, a national firm of consulting actuaries, to provide a tailored IPP program. This firm provides the actuarial calculations, prepares the documentation, and handles the administration and registration of your IPP.



## Individual pension plans (IPP)

An IPP is a personal defined benefit pension plan. The primary purpose of an IPP is to provide periodic retirement income to the member of the plan at a stated retirement age.

For more information about Canada Life and its products visit [www.canadalife.ca](http://www.canadalife.ca) or talk to your financial advisor.

A description of the key features of Canada Life's individual variable insurance contract is contained in the information folder, available from your financial advisor.

SUBJECT TO ANY APPLICABLE DEATH AND MATURITY GUARANTEE, ANY AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE CONTRACT HOLDER AND MAY INCREASE OR DECREASE IN VALUE ACCORDING TO THE FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE SEGREGATED FUND.



Helping people achieve more

# Individual pension plans (IPP)

## ■ The situation

Business owners and key executives with incomes beyond registered retirement savings plan (RRSP) limits who want to be provided with periodic retirement income and build retirement assets large enough to maintain a desired lifestyle.

## ■ The solution

An individual pension plan (IPP), a personal defined benefit plan, may achieve the goal of building greater retirement assets.

## What are the key benefits?

- Retirement income is known in advance, as a defined benefit plan
- Growth at 7.5 per cent per annum, with valuations every three years
- Contribution amounts increase with the age of the member, subject to adjustments
- All contributions and costs are tax-deductible to the sponsoring company
- Potential creditor protection
- Reduces payroll taxes in certain provinces
- The opportunity to keep the plan operating after age 69, if the plan is paying the retirement benefits
- The level of funding required to provide the promised retirement benefits are calculated by actuaries, who follow set guidelines set down by the Income Tax Regulations
- If the pension plan document permits, any plan surpluses belong to the member
- Owners of a corporation have an alternative, tax-efficient way to move funds out of their business now or in preparation of selling the business
- Succession planning within an incorporated family business (taxes are deferred upon death)

## What you need to know

- Assets are locked-in until drawn for retirement income
- The plan must be funded each year by the sponsoring company to reach a growth rate of 7.5 per cent per annum. The company carries the risk for covering deficits
- Income splitting opportunities by using spousal<sup>1</sup> RRSPs are diminished
- There are significant costs associated with an IPP including start-up costs, trust documents, registration requirements, triennial actuarial valuations, and annual filing requirements
- IPPs are complex

## Comparing an IPP with an RRSP

- Retirement income is known in advance, since it is a defined benefit plan; RRSP income paid out from a registered pension plan is dependent on the performance of the investments in that plan
- Contributions to fund an IPP may be larger than RRSP contribution limits
- IPP contribution schedule is calculated by actuaries and revised every three years
- Assumptions by the Income Tax Regulations require a 7.5 per cent annual return, which is the sponsoring corporation's risk; investments in an RRSPs cannot guarantee a return

## Who should consider an IPP?

- Business owners
- Professionals
- Key executives

Suitable candidates should be over 40 years of age, earn an annual income over \$100,000 and be employed with their current employer for at least seven years.

<sup>1</sup> Hereafter, references to spouse include common-law partners as defined by the Income Tax Act (Canada)