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The Individual Pension Plan

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Summary

What is an IPP?

- A defined benefit pension plan;
- Implemented for only one participant, or one participant and his / her married spouse;
- Takes advantage of the maximum permissible provisions of the Income Tax Act;
- Financed by company contributions.

What is the Profile of a Typical Participant?

- Age: 40 years of age or older (benefit increases with age)
- Salary: More than $60,000 of employment income (benefit increases with salary)
- Periods of service: Service since the date of hire with the company (multiplier effect on benefit related to age and salary)
- Company: Company with excess liquidity

What are the Benefits of an IPP?

- Annual contributions greater than those made to an RRSP
- Capital growth assumption of 7.5% (if the investment return is less than 7.5%, the company may be permitted to make an additional contribution)
- Additional contributions permitted in the following cases:
    - Retirement before 65 years of age
    - Recognition of service prior to the date of implementation of the plan
- Employer contribution:
    - An expense for the company
    - Exempted from payroll taxes (such as Health Services Fund)
- Foreseeable retirement income
- Flexibility with respect to remittance of contributions
- Better protection from creditors
- Possibility of transferring the plan to another company if current company is sold (under certain conditions)