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The Individual Pension Plan

The Individual Pension Plan

An Individual Pension Plan ("IPP") is a corporate sponsored defined benefit pension plan created on behalf of one individual.

The object of the IPP is to fund the maximum lifetime pension benefit permitted under the Income Tax Act. Retirement may occur between the ages of 55 and 71.

The contribution may reflect service with the same or a related employer prior to plan implementation – even where RRSP contributions have been maximized!

Advantages of the IPP

The IPP is an excellent tool for individuals wanting more retirement savings than is available through an RRSP.

IPP advantages include:

- significant contributions for service prior to plan implementation
- assets within the IPP are creditor proof
- monies borrowed to fund the IPP, set-up costs and ongoing administration expenses are tax deductible to the employer
- IPP assets may be topped-up in the event investment returns are inadequate to fund the IPP benefits
- early retirement can be funded by a lump-sum tax deductible contribution
- retirement benefits can be paid in various forms specifically tailored to the individual
- the corporation has 120 days after its year-end to make an IPP contribution.

Target Individual

The IPP is most beneficial for the executive, incorporated professional or business owner who:

- has attained age 40
- receives employment (T4) income from the company
- has service with the company or a related employer prior to plan implementation
- requires more tax sheltering than is available under an RRSP.

IPP Contribution Example

Illustrated below is the first year IPP advantage for an individual with earnings of $171,000 and service from 1991.

Age 2022	2022 IPP Contribution	2022 RRSP Contribution	2022 IPP Advantage
40	$139,499	$29,210	$110,289
45	$237,427	$29,210	$208,217
50	$344,863	$29,210	$315,653
55	$463,070	$29,210	$433,860
60	$592.886	$29,210	$563,676
62	$648,280	$29,210	$619,070

Annual IPP contributions, for the subsequent three years, are noted below.

Age 2022	2023 Contribution	2024 Contribution	2025 Contribution
40	$33,375	$35,972	$38,553
45	$36,698	$39,450	$42,409
50	$40,230	$43,395	$46,584
55	$44,199	$47,582	$51,203
60	$48,709	$52,340	$56,223
62	$50,513	$54,243	$58,431

The comparable maximum RRSP contributions are noted below.

RRSP	2022 Maximum	2023 Maximum	2024 Maximum
	$30,780	Indexed[1]	Indexed

The IPP is funded based on retirement at age 65. Where the IPP member elects to retire prior to age 65, a significant additional lump-sum tax deductible contribution may be made to cover the cost of early retirement.

Is the IPP Right For You?

Contact our office for a no-cost, no-obligation personal estimate of your IPP advantage.

[1] The RRSP limit is indexed annually for inflation using the Industrial Aggregate average wages and salaries in Canada.

276 King Street West, Suite 203 | Toronto, ON M5V 1J2 | P: 416 867 8092
ippinfo@dickinsoncarr.ca | www.dickinsoncarr.ca