

# Individual Pension Plans

RETIRE ON YOUR TERMS



CANACCORD

CAPITAL

INDEPENDENT THINKING

Building wealth for your retirement is a big responsibility. Done right, it is a tremendous achievement.

Yet many people are unaware of a highly effective alternative to RRSPs — the Individual Pension Plan, or IPP. An IPP can allow you to contribute much more towards your retirement savings than traditional plans, and it can provide you with significant tax and estate planning advantages.

Unlike traditional RRSPs, where your final retirement savings are ultimately determined by market conditions, IPPs permit additional tax-deductible contributions if a forecasted rate of return is not met on your investments. An IPP allows you to control the outcome of your retirement, regardless of external factors.

If you are a business owner, professional, or corporate executive, an IPP is an ideal tool for ensuring that you retire on your terms.

### **What is an IPP?**

An IPP is a defined benefit pension plan that is set up for one person — you. Annual contributions to the plan build sufficient wealth to fund a pre-determined retirement benefit.

### **Is an IPP right for you?**

An IPP is best suited to business owners, incorporated professionals or corporate executives over age 40 with annual employment income greater than \$100,000. To achieve maximum benefits, you should be planning to work for at least five more years and be making maximum RRSP contributions.

Before the age of 40, you are often able to shelter more money in an RRSP with fewer administration costs. After this age, however, the advantages of IPPs steadily increase.

### **What are the contribution limits?**

Unlike RRSPs there are no preset contribution limits to IPPs. An actuary will work with you to determine your contributions by taking into account your years of service, age and income history.

### **How are IPP funds invested?**

As a defined benefit plan, a minimum return (7.5% annually) must be achieved to ensure that sufficient funds are available for the duration of your retirement. Therefore, it is recommended that an investment professional manage your IPP funds.

### **Can I transfer funds from an RRSP to my IPP?**

You are able to transfer a significant amount from your RRSPs into an IPP, though this figure varies and is dependent upon your employment history.

## IPP: An enhanced RRSP

The main advantage of an IPP over an RRSP is the higher contribution limit. This allows you to build retirement savings faster in a tax-free environment.

Additional advantages include:

**Tax deductibility** – Plan contributions, interest and expenses are tax deductible by the company and are a non-taxable benefit to the IPP member.

**Creditor protection** – IPP assets cannot be seized by creditors, a safeguard not always offered by an RRSP.

**Extended contribution period** – The company has 120 days after the previous fiscal year end to make an IPP contribution.

**Retirement lifestyle safeguard** – If investment returns fall below the targeted rate of return (7.5% annually), the company may make further tax deductible contributions to ensure that the defined benefit is met.

**Member ownership of plan surplus** – At retirement the IPP member owns any actuarial surplus, which can be withdrawn in a lump sum.

## Guaranteed lifetime income to member and spouse –

An IPP offers a predictable retirement income. Spousal pension benefits may be upgraded from 66% to 100% when the IPP member retires.

**Generous past-service funding** – IPP funding limits are more generous than other retirement plans, allowing companies to contribute for a member's years of service prior to establishing the plan. To qualify for past service funding you must transfer a portion of your RRSPs to an IPP.

**Lump-sum funding opportunities** – The company can utilize terminal funding to make early retirement possible, to reduce potential capital gains or to allow for the tax-deferred transfer of shareholder equity.

**CRA registration** – CRA cannot deregister an IPP provided that the plan was set up in good faith by an active corporation and properly administered.

*At retirement, your IPP could be worth \$1,136,999 more than a traditional RRSP — that's an additional annual pension of \$85,941.*

## IPP versus RRSP: Larger contributions create higher value and pension income

With an IPP, you are able to contribute significantly more towards your retirement each year than with an RRSP.

Age	IPP			RRSP		
	Contribution	Value	Annual Pension	Contribution	Value	Annual Pension
50	\$ 115,296	\$ 395,675	\$ 21,539	\$ 18,000	\$ 288,058	\$ 15,681
55	33,960	747,712	43,270	23,210	539,361	31,213
60	48,753	1,329,796	83,060	30,335	937,658	58,567
65	69,991	2,275,549	156,610	39,646	1,559,601	107,337
69	93,470	3,429,356	259,211	49,114	2,292,357	173,270
<b>IPP Advantage</b>		<b>\$1,136,999</b>	<b>\$ 85,941</b>			

Please see assumptions on the inside back cover.

## **Canaccord Capital:**

### **Helping you achieve your retirement goals**

The successful implementation of an IPP requires the coordinated efforts of actuaries and investment managers. At Canaccord, we work with leading professional service providers to ensure the easy set-up and administration of your IPP.

### **Actuarial Services**

Our preferred actuarial consulting firm is Westcoast Actuaries Inc. This firm is the leading provider of actuarial and administration services for IPPs in Canada. Westcoast Actuaries offers attractive and convenient services to implement and maintain an IPP.

### **Investment Management**

Canaccord offers you unparalleled access to leading investment managers, including firms who manage the assets of Canada's largest pension funds. In addition, your Canaccord Investment Advisor oversees IPP management in accordance with your investment objectives and applicable pension and tax legislation.

### **Start saving and earning more today**

We would be happy to calculate how much more you could contribute to your retirement savings by switching to an IPP. At the same time, we can determine the amount you need to transfer into your IPP from your existing RRSPs.

**Call your Canaccord Investment Advisor to discover how you can benefit from the powerful wealth-building opportunities of an Individual Pension Plan.**

## **About Canaccord Capital**

Through its principal subsidiaries, Canaccord Capital Inc. is a leading independent full service investment dealer in Canada, with capital markets operations in the United States and the United Kingdom. Canaccord Capital is publicly traded on both the Toronto Stock Exchange and AIM, a market operated by the London Stock Exchange.

### **Assumptions, as mandated in the Income Tax Act:**

- As of January 1, 2006, for an individual aged 50 with an annual income of \$110,000 and the maximum allowable transfer on set-up of IPP – \$250,600.
- IPP contributions in the first year include maximum current and past-service contributions.
- IPP Value is the year-end value, including the beginning balance (or the initial transferred amount), annual contributions and investment income, based on a 7.50% annual rate of return. It also includes income from a \$6,500 RRSP contribution in 2006, as well as yearly contributions of \$600 (the maximum allowed if you are an IPP member).
- Maximum IPP and RRSP contributions are assumed to be made each year.
- RRSP contribution limit increased by 5.5% per year after 2010, the same wage-index assumption used in calculating the maximum pension limit after 2009.
- RRSP value at age 50 is \$250,600, the maximum qualifying transfer into an IPP.

[www.canaccord.com](http://www.canaccord.com)



INDEPENDENT THINKING

MEMBER CANADIAN INVESTOR PROTECTION FUND (CIPF)

MEMBER OF ALL CANADIAN STOCK EXCHANGES  
AND THE INVESTMENT DEALERS ASSOCIATION OF CANADA

OFFICES IN MAJOR CENTRES ACROSS CANADA