



## INDIVIDUAL PENSION PLANS

# An RRSP alternative to help secure your financial future

Many entrepreneurs and professionals often neglect making their RRSP contributions because they are solely focused on building their business or else find that RRSP limits are insufficient to provide an adequate retirement income.

If you are 45 years or older, a business owner or manager, or an incorporated professional with an annual income over \$100,000, an Individual Pension Plan (IPP) is something you might want to consider.

An IPP is similar to an RRSP in that money accumulates over time, tax sheltered, in an account to provide you with retirement benefits. In addition, IPPs have the ability for larger tax deductible contributions than RRSPs. Additionally IPPs can be back-dated. This can sometimes lead to significant catch-up contributions. Therefore, an IPP can be an ideal option, in the right circumstances, for your retirement and estate plan.

### What is an IPP?

IPPs are defined benefit pension plans designed for one person. They are registered with Canada Revenue Agency (CRA) and are covered under the Income Tax Act. IPPs promise a specific level of pension income at retirement according to a predetermined formula. This formula is based on a percentage of your earnings over a given period, so it's important to meet a certain income threshold during your working years.

Your annual IPP contribution limit is determined by an actuary, and increases as you get closer to your retirement date. Your IPP will also be sponsored and funded by your employer (which may be yourself). Once funds are contributed, they may be locked-in by pension legislation.

### What are the key benefits?

First and foremost, your IPP contributions are tax deductible to your corporation and can exceed the usual RRSP maximums. Plus, there is a potential to fund previous years of service and contribute a significant deductible lump sum.

Contributions and plan expenses are tax deductible for the employer which can, again, be your own company. In addition, the employer's contributions are an effective way to move corporate assets into your IPP, where they can grow on a tax-deferred basis. Your income from the plan is defined and it is based on your years of service and the applicable actuarial calculations.

Finally, under current legislation, IPPs may provide creditor protection to the funds in the plan. As an active business person, this is a layer of protection that may have future, unforeseen value.

### Assemble the right professionals

Working with the appropriate group of professionals – such as an investment advisor, accountant, and pension actuary – it's easy to open and administer an Individual Pension Plan that makes sense for your circumstances. Our team of specialists has the knowledge, resources, and expertise to help you create a plan that will increase your financial peace of mind today and through retirement. ■

® Registered trademark of The Bank of Nova Scotia, used under licence. Scotiabank includes The Bank of Nova Scotia and its subsidiaries and affiliates, including Scotia Securities Inc. As used in this document, "Investment Specialist and Financial Planner", "Scotiabank Investment Specialist" and "Financial Planner and Investment Specialist" refers to a Scotia Securities Inc. mutual fund representative or, in Quebec, a Group Savings Plan Dealer Representative who is also registered in the category of Financial Planner. Scotia Securities Inc. is a member of the Mutual Fund Dealers Association.

This publication has been prepared by Scotia Capital Inc. and is intended as a general source of information only and should not be considered or relied upon as personal and/or specific financial, tax, pension, legal or investment advice. We are not tax or legal advisors and individuals should consult with their own tax and legal advisors before taking any action based upon the information contained in this publication. Opinions contained in this publication are our own as of the date hereof and are subject to change without notice. While care and attention has been taken to ensure the accuracy and reliability of the material in this publication, neither Scotia Capital Inc. nor any of its affiliates make any representations or warranties, express or implied, as to the accuracy or completeness of such material and disclaim any liability resulting from any direct or consequential loss arising from any use of this publication or the information contained herein. This publication and all the information, opinions and conclusions contained herein are protected by copyright. This publication may not be reproduced in whole or in part without the prior express consent of Scotia Capital Inc.

Copyright 2020 Scotia Capital Inc. All rights reserved.

5789-2020-0922-01 R3

**Scotiabank®**