

# Individual Pension Plan (IPP)

**Dramatically boost your retirement assets with tax-deductible corporate contributions**

## How an Individual Pension Plan (IPP) works

An IPP is a tax-deferred savings vehicle used to invest and save for retirement. Contributions are tax-deductible and made directly from the corporation. Similar to an RRSP, the assets inside an IPP are tax-deferred until withdrawn, at which time they are treated as income.

## How much can be contributed to an Individual Pension Plan?

Age	RRSP Contribution	IPP Contribution	IPP Advantage	
45	\$30,780	\$33,200	\$ 2,420	8%
50	\$30,780	\$36,400	\$ 5,620	18%
55	\$30,780	\$40,000	\$ 9,220	30%
60	\$30,780	\$43,900	\$13,120	43%
65	\$30,780	\$48,300	\$17,520	57%

Who is a **good** candidate for an Individual Pension Plan?



**BUSINESS OWNER**



**REGISTERED PROFESSIONAL**



**MIDDLE AGED ADULT**



**T4 EARNINGS OF \$100K+\***

\* An IPP can be established for someone with lower earnings

## Case Study

A business owner, aged 55, incorporated for 24 years, maximum T4 earnings of \$178,600 with a current RRSP balance of \$291,866.

- \$156,600 in immediate past service funding, tax-deductible to the company
- \$221,700 in qualifying transfer (from existing RRSP balance)
- Up to \$446,211 **more** in tax-deductible contribution room over working years (excluding past service)
- The IPP balance could be up to \$1,306,700 **more** than the RRSP balance

All of the above figures are based on 2022 prescribed assumptions.

## Advantages of an Individual Pension Plan

- Increased tax-deductible contribution room – up to 65% more than an RRSP
- Can reduce passive income in corporation
- Tax-deductible company contributions for prior years (past service)
- Richest benefit plan in Canada – 2% defined benefit pension plan
- All costs are tax-deductible to the company
- Creditor protection
- Increased corporate and personal tax savings
- Can include employed family members and pass on wealth to the next generation

## Next Steps

Contact Robert Montague, CFP®, CIM®, at 519-822-2610 or email [rmontague@royalcityic.ca](mailto:rmontague@royalcityic.ca) to learn more.

