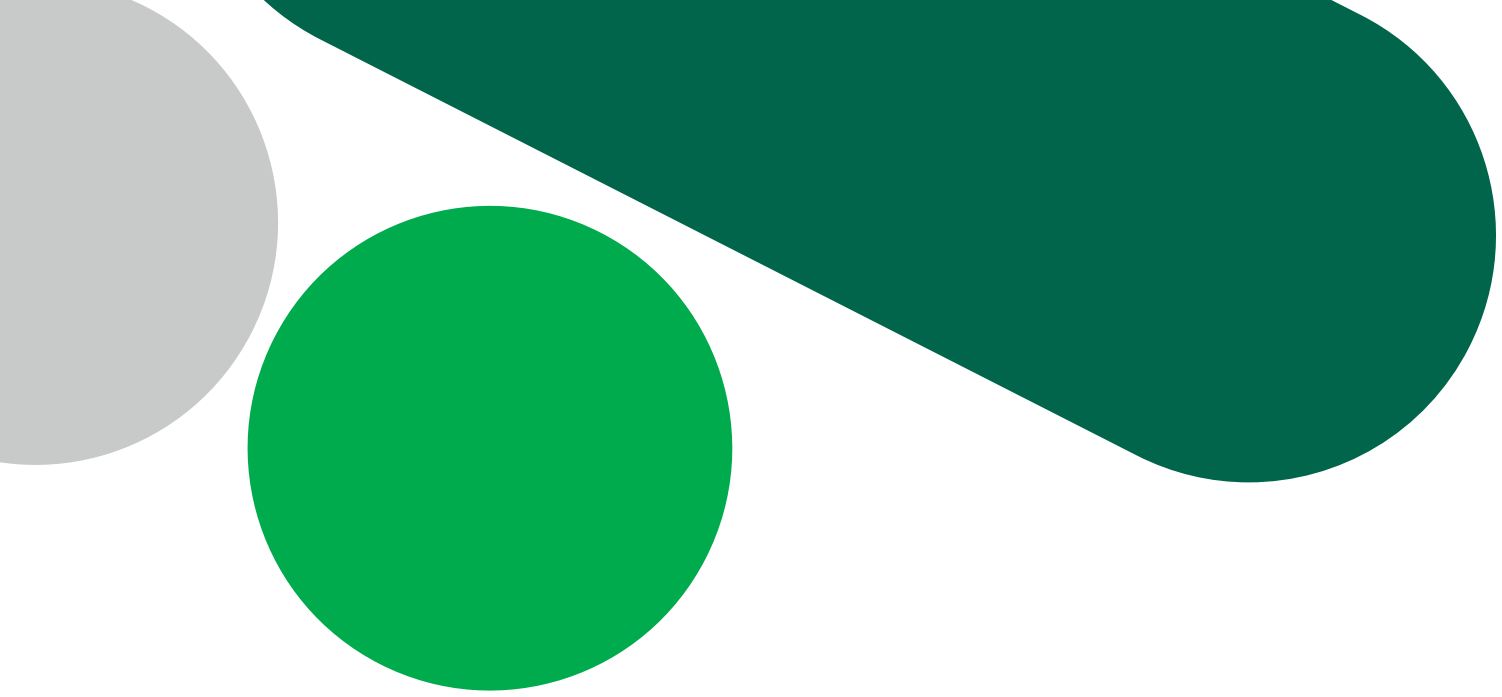


Investment

# Individual Pension Plan (IPP)

The most effective way for owners and executives to maximize their retirement savings





The IPP provides personalized financial solutions that will help you ensure your retirement is everything you want it to be.

As the owner or executive of a business, you care about your company's future. However, you should also start thinking about your own future, in other words, your retirement.

If you think that you may have neglected your retirement goals in the past, don't worry, as you can still make up for lost time.

Fortunately, there exists a registered financial product that benefits both you and your company, and that will ensure you the comfortable retirement you deserve: The **Individual Pension Plan (IPP)**.

# What is an IPP?

- An Individual Pension Plan (IPP) is primarily a **registered** retirement plan along the same lines as an RRSP. The contributions your company makes on your behalf are non-taxable before you retire.
- An IPP is also a way for your company to increase your retirement savings, helping you to achieve your objectives. In exchange, your company **can deduct these contributions from its taxable income**.
- This type of plan shares the characteristics of a **defined benefit plan**. What does this mean for you? Once the plan is instituted, you know the amount of the annuity you will receive upon retirement. Why is this important? It allows you to more accurately determine your retirement income and the contributions you must make to achieve this goal. In addition, because this plan is instituted for you alone, all of the funds in the plan automatically belong to you.
- An IPP permits **larger contributions** than an RRSP once you reach around the age 40. It also provides for an annual return of 7.5%. With these unique features, your retirement savings grow rapidly.
- Under this plan, you will be guided by specialists who work with you to determine the annuity, contributions, and investments that best suit your financial profile.
- **Actuaries, SSQ Insurance, and your Financial Security Advisor** will work together with you to monitor your plan and ensure you achieve your investment goals.

## How do I know if an IPP is right for me?

- The IPP is a financial vehicle designed for business owners and executives whose RRSP contribution ceiling is too low to allow them to attain their retirement goals.
- The IPP enables companies to fund their retirement plan and at the same time benefit from attractive tax savings.
- The IPP is ideal for individuals from age 40 and over earning an annual salary of over \$75,000.



Reach your retirement goals and benefit from attractive tax savings!



# IPP Advantages

- **Annual contribution ceiling is higher than an RRSP**

Allows you to accumulate more savings than an RRSP, thus increasing your retirement income.

- **Tax-deductible company contributions**

Contributions to your plan are made by your company. Therefore, regular or special contributions as well as the costs of setting up and monitoring the plan are fully tax deductible.

- **Tax-sheltered returns**

Your investment returns are also tax sheltered, allowing you to boost your retirement savings. Since the plan is for you alone, all funds belong to you.

- **Elect to purchase past service (to increase contributions and retirement income)**

You can make up for the years of service when you may not have contributed enough for your retirement. Electing to purchase past service allows you to inject additional funds into your plan today. This provision, which is available as soon as your IPP is instituted, greatly benefits those who wish to take an early retirement or top up their pension plan.

- **Annuity upgrade possible upon retirement**

When it is time for you to retire, your company can substantially upgrade your plan with additional tax-deductible contributions.

- **7.5% return**

If the investments return is under 7.5%, the company may cover the shortfall. This special contribution is deductible for the company and non-taxable to you.

## SSQ Insurance



SSQ Insurance will offer you a **choice of investment vehicles** from our full range of prestigious segregated funds and guaranteed income accounts.

**Our Guaranteed Investment Funds (GIF)** give you access to not only the expertise of our reputable money managers, but also flagship funds with consistent performance and proven management. If you prefer to invest in guaranteed interest accounts (GIAs), SSQ Insurance offers competitive rates with attractive bonuses, depending on the amount invested.

Since we have your best interest at heart, we put the services of top specialists in the industry at your disposal. In addition to our vast expertise in pension plan management, you also benefit from expert actuarial services for your plan, offered by **Mallette actuaires Inc.** This specialized firm is recognized for its expertise in accounting and finance.

In all cases, you will benefit from our communications plan. You will receive semi-annual investment statements, statements of operations (when required), and our annual financial report. In addition, you will have free-of-charge access to our secure website as well as our Client Services.

### SSQ Insurance gives you access to:

- Friendly and efficient service
- Comprehensive documentation
- A communications plan, complete with clear and detailed statements
- A secure website
- A toll-free line for easy access to Client Services
- Flexible, effective administration systems

# Let's compare RRSP and IPP contributions

## RRSP

The Income Tax Act **limits your RRSP contribution** to 18% of earned income for the previous year or the maximum contribution, whichever is less.

For 2019, the maximum contribution is \$26,500.

## IPP

The Income Tax Act does not limit contributions to IPPs, but it does **define the amount of the life annuity** payable upon retirement. The life annuity will be equal to 2% of annual income for each year of membership.

The maximum annuity in 2016 was \$2,890 per year of service. It was increased to \$2,914 in 2017, and will be indexed yearly thereafter. A maximum contribution can be calculated from this maximum benefit based on each individual's particular situation.

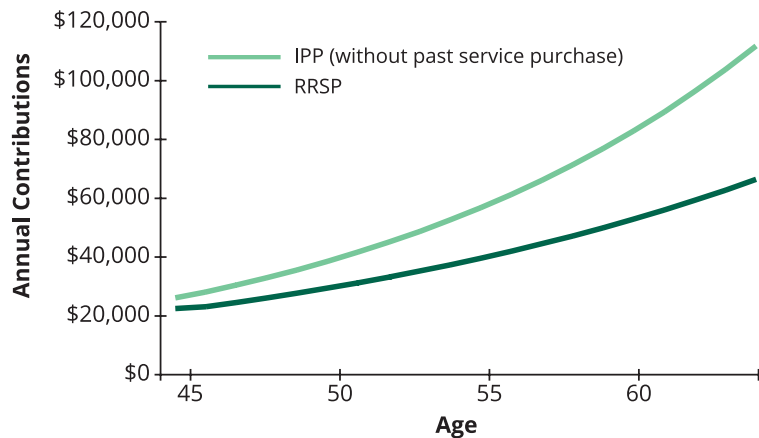
**Starting around age 40, maximum IPP contributions are therefore higher than those for RRSPs.**

## Typical Case Scenario

Below is a typical example of the contributions an individual can make – starting at age 45 – to either an RRSP or an IPP, assuming an annual salary of \$145,000 and a 7.5% annual return\*. This example does not include the purchase of past service, which allows additional IPP contributions.

\* The example given assumes a maximum annual income in salary and annuity increase of 5.5%, 3% indexing of annuities, and retirement at age 65.

**Capital Accumulation: IPPs vs. RRSPs**



# Purchase of Past Service

Purchasing past service is a proven financial tool that you can use to make up for years when you may not have put aside enough for your retirement. If you have never had a supplemental retirement plan, you can accumulate entitlements for each year you have been employed by your company since 1991. These entitlements can add up to substantial contributions that significantly boost your retirement plan.

## Purchasing past service is funded as follows:

- First a transfer of a **fraction** of the RRSP to an IPP fund subject to a minimum amount equal to the PSPA;
- The balance not financed by the RRSP transfer may be paid by the company and becomes an eligible expense.

**The fraction is determined by the following formula:**

$$\frac{\text{Number of years purchased}}{\text{The minimum between 35 and (age at purchase - 18)}}$$

Source: Mallette, February 2015

## A simple example

The company XY inc. sets up a retirement plan for its sole owner, Mr. Z, aged 52, who wants to purchase the years of service since January 1, 2001, to the IPP. Buying these years costs \$300,000 and generates a PSPA of \$152,400. Mr. Z has \$400,000 in his RRSP and no unused RRSP room.

**The fraction is calculated as follows:**

$$\frac{2017-2001 = \mathbf{16 \text{ years}}}{52 \text{ years} - 18 \text{ years} = \mathbf{34 \text{ years}} < 35 \text{ years}}$$

Cost of purchase	\$300,000
RRSP transfer	16/34 X \$400,000
	\$188,236
Company contributions	\$111,764
RRSP balance	\$211,764

Source: Mallette, February 2015

## Optimal age to set up an IPP

Generally speaking, it is not in your best interest to defer setting up the plan, especially after age 53, as each passing year reduces considerably the amount that could be contributed by the company. The following table shows the fraction calculation based on the age at the time of the past service purchase. We can see that the fraction increases faster after age 53.

### Impact that waiting one year has on the fraction (example: 20 years of service at age 50)

Age	50	51	52	53	...	65
Years purchased	20	21	22	23	...	35
Fraction	20/32	21/33	22/34	23/35	...	35/35

## Early Retirement

If, at age 60, you decide to sell your company or retire early, the company can **upgrade your pension plan and make a special** tax-deductible additional contribution.

Think about it!

# In short

## The IPP is suitable for:

- Company owners who pay themselves an adequate salary and who have long periods of service working for the company
- Profitable companies that pay too much income tax
- Company owners who have not been making systematic RRSP contributions

## The IPP may also be the right solution for:

- Making up for a significantly underperforming RRSP
- Making up for a temporarily underperforming RRSP

# FAQs

## What impact will an IPP have on my company?

Regular or special contributions and the costs of setting up and monitoring the plan are tax deductible for the company. Because IPP contributions are not considered salary income, they do not generate payroll taxes.

## What will happen to my RRSP?

IPP membership practically eliminates the need for new contributions to an RRSP. Your existing RRSPs can continue to grow or be partially transferred to the IPP, especially when purchasing past service, thereby providing all the benefits of an IPP.

## What products can I choose from upon retirement?

There are two options:

- a life annuity that will guarantee you an annuity during your lifetime, with, if requested, survivor benefits in the event of the annuitant's death;
- a transfer to an RRSP or a RRIF, which are non-locked-in plans that provide a lot of freedom\*.

## What will happen to my retirement savings should I die?

- If you die before retirement: the accumulated amounts will be paid to your beneficiaries;
- If you die after retirement: several choices are available, depending on the annuity or plan chosen at the time of retirement.

## What happens in the case of termination of employment?

If you terminate your employment before retirement, the amounts accumulated in the plan will be transferred to an RRSP\*.

## What happens if the company is sold?

With the purchase of past service, the transfer of funds from the company to an IPP reduces shareholders' equity and may facilitate the sale of the company. In addition, you may be able to upgrade your annuity with a special contribution.

\* Transfer to non-locked-in plans (RRSP or RRIF) is possible if you are a "connected person" who, directly or indirectly, owns at least 10% of the capital stock of an incorporated company or any other corporation related to it.

# Test – Is an IPP right for me?



To determine if an IPP is a better retirement savings choice for you than an RRSP, answer the six questions below:

- |  |  |
|--|--|
| 1) I am over 40 years of age.  | <input type="radio"/> True <input type="radio"/> False |
| 2) My current annual salary (including bonuses) is over \$75,000.  | <input type="radio"/> True <input type="radio"/> False |
| 3) I am looking for an alternative retirement savings avenue that will enable me to contribute more than I would be able to put in my RRSP.  | <input type="radio"/> True <input type="radio"/> False |
| 4) I am a connected person* with the company for which I currently work.   | <input type="radio"/> True <input type="radio"/> False |
| 5) I have had a long career with the company for which I currently work for (or that I own).   | <input type="radio"/> True <input type="radio"/> False |
| 6) During my previous years of service, up to the current year with the company for which I presently work for (or that I currently own), my company did not contribute (or very little) on my behalf to a Registered Pension Plan (RPP) or Deferred Profit Sharing Plan (DPSP). | <input type="radio"/> True <input type="radio"/> False |

\* A “connected person” is a person who holds, directly or indirectly (e.g. the spouse, father, mother, brother, sister, child or grandchild of a person who directly owns) at least 10% of the issued shares of capital stock of an incorporated company or any other corporation related to it.

If your answer to **the first three questions** is “True”, then an IPP is a better retirement savings choice for you than an RRSP.

If your answer to **question 4** is “True”, administration of such a plan will be simplified!

If your answer to **questions 5 and 6** is “True”, an IPP is an extremely interesting financial option for you!

## An IPP is right for you!

A detailed proposal specifying the contributions necessary in order for you to attain your retirement goals – and the annual expenses this will entail for your company can be provided.

Complete the attached IPP Application Form, as the information will help us better understand your particular financial needs. Submit the completed form to your Financial Security Advisor or to one of our representatives.



# IPP Application Form

## Client Information

Last Name		First Name	
Address (No.)	Street	Apt.	
City	Province	Postal Code	
Telephone (home)	Telephone (office)	Extension	E-mail
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
S.I.N.	Date of Birth	Gender: <input type="radio"/> Male <input type="radio"/> Female	
<input type="text"/>	<input type="text"/>	Are you a connected person* with the company? <input type="radio"/> Yes <input type="radio"/> No	
Start date of service with the company			

\* A "connected person" is a person who holds, directly or indirectly (e.g. the spouse, father, mother, brother, sister, child or grandchild of a person who directly owns), at least 10% of the capital stock of an incorporated company or any other corporation related to it.

## Company Information

Name			
Address			
City	Province	Postal Code	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Incorporation date	Fiscal year-end	Federal Business Number (BN)	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Does a holding company manage the corporation? <input type="radio"/> Yes <input type="radio"/> No			
If yes, specify: <input type="text"/>			

## Employment Income Information

Employment income for the current calendar year: \$ \_\_\_\_\_ Employment income for 1990: \$ \_\_\_\_\_  
(as shown in Box 14 of your T4 slip)

**Employment income since the start date of service (This is required to determine if you may purchase past service.)**

Year	Employment income	Year	Employment income	Year	Employment income
1991	\$	2001	\$	2011	\$
1992	\$	2002	\$	2012	\$
1993	\$	2003	\$	2013	\$
1994	\$	2004	\$	2014	\$
1995	\$	2005	\$	2015	\$
1996	\$	2006	\$	2016	\$
1997	\$	2007	\$	2017	\$
1998	\$	2008	\$	2018	\$
1999	\$	2009	\$		\$
2000	\$	2010	\$		\$

## Registered Plans Information

1. Have you contributed to an RRSP since the beginning of the current year?  Yes  No \_\_\_\_\_ \$
2. a) What is the total amount accumulated in your name in an RRSP, a LIF or a defined contribution plan? \_\_\_\_\_ \$  
(excluding spouse's RRSPs)  
b) Of this amount, which portion can be immediately transferred? \_\_\_\_\_ \$
3. Did you have unused RRSP contribution room at the previous year-end?  Yes  No \_\_\_\_\_ \$  
(3<sup>rd</sup> line of the Notice of Assessment)
4. Have you contributed to an RPP since 1991 (Retirement Plan, DPSP)?  Yes  No \_\_\_\_\_ \$  
Years: \_\_\_\_\_

**X** \_\_\_\_\_

Signature - Client (or Advisor) Date

SSQ Insurance reserves the right to charge additional fees if calculations or the creation of new documents are necessary due to incorrect information provided by the Contractholder related to the set-up of the Plan.

## SSQ Insurance

**Client Services**  
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service.inv@ssq.ca  
ssq.ca

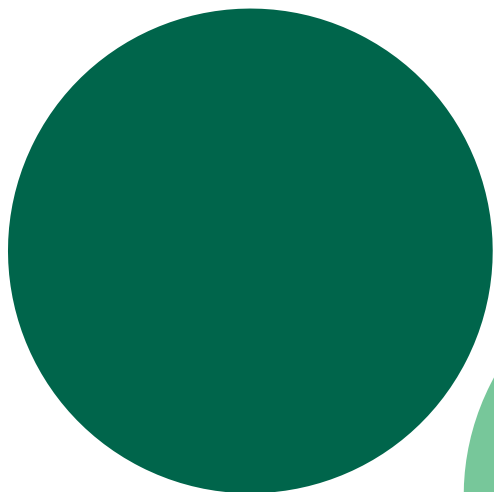


## About SSQ Insurance

Founded in 1944, SSQ Insurance is a mutualist company that puts community at the heart of insurance. With assets under management of \$12 billion, SSQ Insurance is one of the largest companies in the industry. Working for a community of over three million customers, SSQ Insurance employs 2,000 people. Leader in group insurance, the company also sets itself apart through its expertise in individual life and health insurance, general insurance and the investment sector.



**For more information,  
go to [ssq.ca](https://ssq.ca)**





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