



The Individual Pension Plan

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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 \$151,278 and service from 1991.

Age	2019 IPP Contribution	2019 RRSP Contribution	2019 IPP Advantage
40	\$123,571	\$26,500	\$97,071
45	\$202,084	\$26,500	\$175,584
50	\$288,209	\$26,500	\$261,709
55	\$382,985	\$26,500	\$356,485
60	\$487,066	\$26,500	\$460,566
62	\$531,475	\$26,500	\$504,975

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

Age	2020 Contribution	2021 Contribution	2022 Contribution
40	\$29,526	\$31,823	\$34,106
45	\$32,398	\$34,854	\$37,481
50	\$35,590	\$38,390	\$41,212
55	\$39,102	\$42,094	\$45,297
60	\$43,091	\$46,303	\$49,738
62	\$44,687	\$47,987	\$51,692

The comparable maximum RRSP contributions are noted below.

RRSP	2020 Maximum	2021 Maximum	2022 Maximum
	\$27,230	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.