

Individual Pension Plan (IPP) Quick Reference Guide

Version 2009-1

For a shareholder or executive who is over 40 years of age, an Individual Pension Plan (IPP) established and funded by the employer can provide better retirement savings opportunities than what is available to the employee personally through an RRSP. This IPP Quick Reference Guide provides the reader with some basic IPP information.

What is an IPP?

An IPP is established by an employer to provide pension benefits for an employee at retirement. The pension amount is calculated based on the employee's T4 employment income for the years of service recognized under the IPP.

Please note that an IPP is an employer-established program that replaces RRSP savings by the employee. Once the IPP has been set up in 2009, the employee's RRSP deduction limit will be reduced to \$600 each year from 2010 onward. If the employee owns 10% or more of the company (employer), the RRSP deduction limit for 2009 will also be reduced.

Who is eligible for an IPP?

- ◆ An employee who receives pension-eligible T4-type employment income from the employer (**Note: self-employment income and dividend income are NOT pension eligible**); and
- ◆ The Board of Directors of the employer approves the establishment of the IPP.

What are the key advantages of an IPP?

- ◆ Higher contribution than regular RRSP for employees over age 40 (note that the IPP contribution advantage over RRSP increases with age);
- ◆ Employer can make further tax-deductible contributions if the IPP has a deficit;
- ◆ IPP assets are creditor-proof; and
- ◆ Pension income can be split up to 50% with spouse for income tax purposes.

What is the maximum 2009 current year IPP contribution?

Age	IPP Cont.	RRSP Cont.	IPP Cont. Advantage
40	\$23,022	\$21,000	\$2,022
45	\$25,288	\$21,000	\$4,288
50	\$27,778	\$21,000	\$6,778
55	\$30,513	\$21,000	\$9,513
60	\$33,517	\$21,000	\$12,517
65	\$36,816	\$21,000	\$15,816

*** amounts shown for selected ages only ***

Can an employer make past service contribution to a new IPP in 2009?

Yes, subject to the following requirements:

1. The employee was employed by the employer and received pension-eligible T4-type employment income during the years for which past service pension benefits are being provided; and
2. The employee transfers a calculated amount from his or her personal RRSP into the IPP. The maximum required transfer amounts from the member's personal RRSP to the IPP are:

<u>Year of Past Service</u>	<u>Transfer Amount</u>	<u>Year of Past Service</u>	<u>Transfer Amount</u>
1991	\$11,500	2001	\$21,400
1992	\$11,500	2002	\$21,400
1993	\$12,500	2003	\$21,400
1994	\$13,500	2004	\$21,400
1995	\$21,000	2005	\$21,400
1996	\$21,000	2006	\$21,400
1997	\$21,400	2007	\$21,400
1998	\$21,400	2008	\$21,400
1999	\$21,400	Total	\$347,800
2000	\$21,400	All Years From 1991 to 2008	

If the employee does not have sufficient personal RRSP funds to satisfy the transfer requirement, the number of past service years recognized for pension purposes may have to be reduced.

What is the maximum 2009 total IPP contribution including past service?

Year	Description	Age 40	Age 45	Age 50
Past Service 1991 to 2008	Total Pension Value 1991-2008	\$ 399,672	\$ 439,020	\$ 482,238
	Less Value Funded By Transfer From Employee's RRSP to IPP	<u>(347,800)</u>	<u>(347,800)</u>	<u>(347,800)</u>
	Value Funded By New Employer IPP Past Service Contribution	\$ 51,872	\$ 91,220	\$ 134,438
2009	Value Funded By New Employer IPP Current Service Contribution	<u>23,022</u>	<u>25,288</u>	<u>27,778</u>
Total All Years	Maximum Total Employer IPP Contribution	<u>\$ 74,894</u>	<u>\$ 116,508</u>	<u>\$ 162,216</u>

Year	Description	Age 55	Age 60	Age 65
Past Service 1991 to 2008	Total Pension Value 1991-2008	\$ 529,722	\$ 581,868	\$ 639,162
	Less Value Funded By Transfer From Employee's RRSP to IPP	<u>(347,800)</u>	<u>(347,800)</u>	<u>(347,800)</u>
	Value Funded By New Employer IPP Past Service Contribution	\$ 181,922	\$ 234,068	\$ 291,362
2009	Value Funded By New Employer IPP Current Service Contribution	<u>30,513</u>	<u>33,517</u>	<u>36,816</u>
Total All Years	Maximum Total Employer IPP Contribution	<u>\$ 212,435</u>	<u>\$ 267,585</u>	<u>\$ 328,178</u>

***** the older the employee, the higher the IPP contribution by the employer *****

The figures in this IPP Quick Reference Guide assume:

- ◆ Age shown is the employee's exact age as at January 1, 2009; and
- ◆ Employee was hired on January 1, 1991 with employment income each year in excess of \$122,222.

Users of this IPP Quick Reference Guide are encouraged to use Westcoast Actuaries Inc.'s IPP On-Line Quoting System© at www.westcoast-actuaries.com to generate a free customized IPP quote.

The content in this IPP Quick Reference Guide is for general information only. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject and that it is impossible to include all situations, circumstances and exceptions in a commentary such as this, no person or firm involved in the preparation or distribution of this commentary accepts any liability for its contents or use.