



Wealth Management

# Maximizing your retirement benefits with an Individual Pension Plan

An Individual Pension Plan (IPP) is a defined benefit pension plan established by an incorporated company to provide enhanced retirement benefits and important tax advantages for business owners and key employees.

The IPP is one of the most tax-efficient retirement savings plans in the market today.

## How does it work?

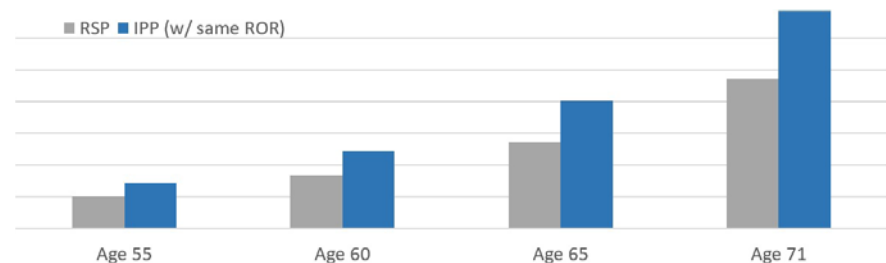
### Opening the IPP

Suitable candidates include:

- Individuals over the age of 40 who earn T4 income
- Incorporated business owners and family members
- Incorporated professionals
- Senior executives
- Small businesses with sufficient cash flow to fund the IPP

## Contributing to the IPP

- Higher annual contributions than an RRSP for individuals over the age of 40
- Substantially higher retirement savings compared to an RRSP
- IPP investments grow on a tax-deferred basis
- Contributions and IPP-related expenses are tax-deductible for the sponsoring company
- Possible to make contributions for past years of employment



IPP contributions are set on a series of assumptions, including a prescribed rate of return. For illustration purposes the above graph demonstrates the returns of an RSP and an IPP with the same interest rate.

**Note:** This article focuses on a comparison of an Individual Pension Plan (IPP) and a Registered Retirement Savings Plan (RRSP), as each are registered accounts. For the purposes of this comparison, other savings options have not been factored in. For scenarios involving non-registered accounts or other savings options and how they may fit with your retirement goals, you may wish to consult with a qualified tax advisor.

---

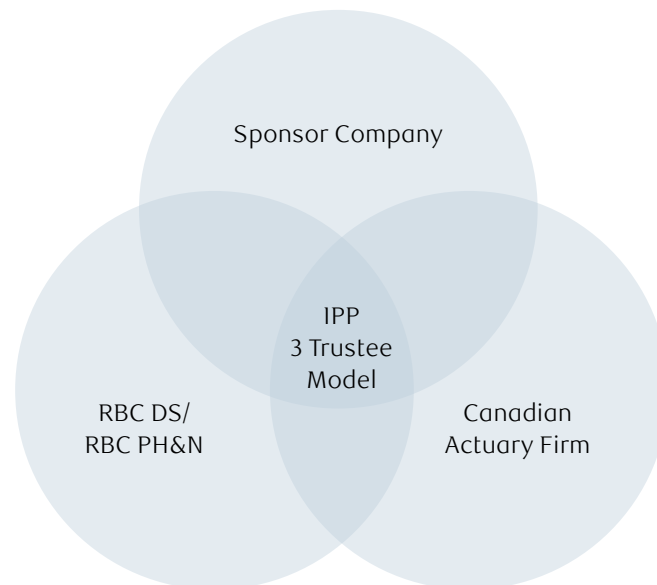
### Investments inside the IPP

- Can invest in securities similar to those allowed in an RRSP (stocks, bonds, mutual funds, GICs, etc.)
- Placing funds in an IPP helps diversify where assets are held (as the IPP is a separate tax entity, you would be splitting your investments between your corporation and your IPP without triggering tax consequences)
- Prudent investor strategy – no more than 10% of MV of plan in any one holding

### Retirement options

- Receive pension benefits at any age before the calendar year you turn 71
- If the sponsor company is sold there is an option to transfer the commuted value to another registered plan
- Optional annuity purchase

The IPP can be a useful tool to help incorporated business owners, incorporated professionals or your key employees save for retirement. Ask your RBC advisor for more information or for a personalized illustration to see if an IPP makes sense for you or your employees.



### IPPs from RBC Wealth Management

Establishing an IPP can greatly enhance retirement benefits, but it can also be complex. That's where our team of qualified professionals can help – by making it easy to establish an IPP that's right for you.

To learn more about IPPs, please contact us.



---

1. The actual surplus/deficit of the plan will be calculated by the actuary and involves taking into account other economic factors, such as inflation and indexing, to determine the required rate of return.

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc.\* and RBC Phillips, Hager & North Investment Counsel Inc. (collectively, the "Companies"). \*Member-Canadian Investor Protection Fund. Each of the Companies and the Royal Bank of Canada are separate corporate entities which are affiliated. The information provided in this document are not intended as, nor do they constitute, tax or legal advice. The information provided should only be used in conjunction with a discussion with a qualified legal, tax or other professional advisor when planning to implement a strategy. ® / TM Trademark(s) Registered trademarks of Royal Bank of Canada. Used under licence. © Royal Bank of Canada 2022. All rights reserved. 22\_90931\_002 (04/22)