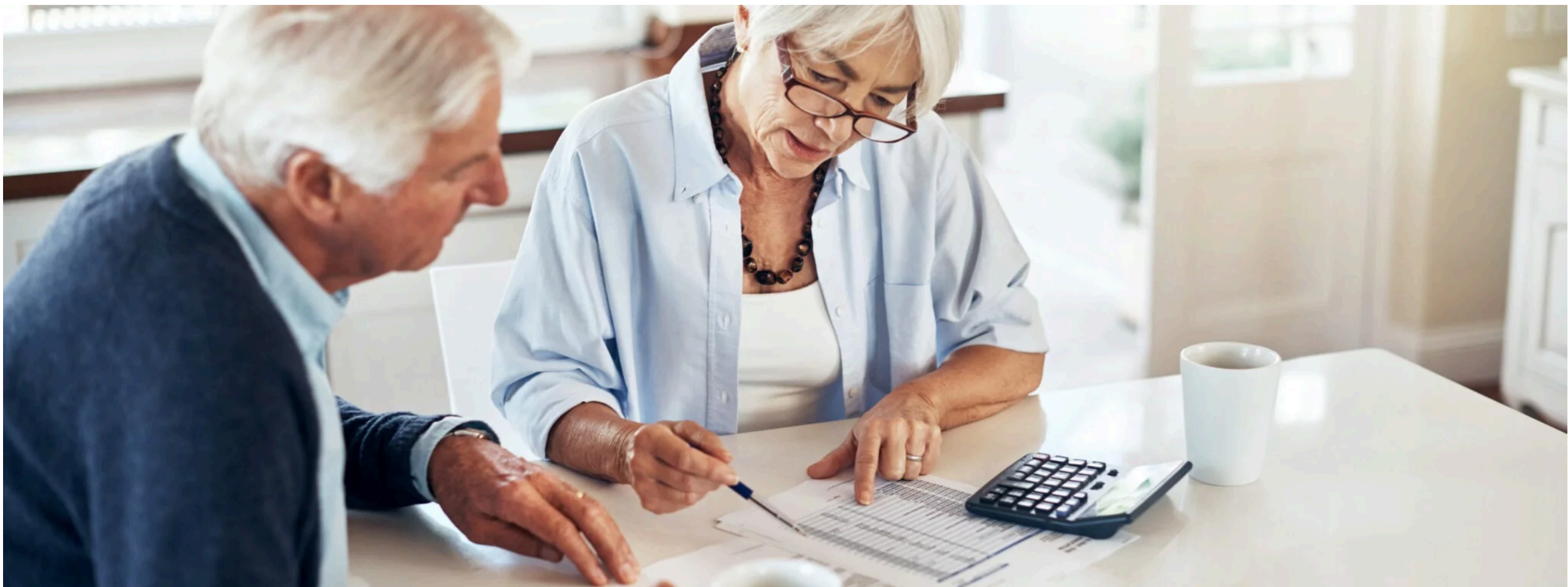


The often-overlooked IPP is more powerful than you think



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By Rebecca Neal

Individual Pension Plans (IPPs) are an enhanced Registered Retirement Savings Plan (RRSP) alternative that provide higher annual contributions resulting in greater retirement savings. The tax-deductible benefits of an IPP outweigh those of RRSs because they allow for greater tax-deductible contribution room, and all plan maintenance fees can be structured as a tax-deductible expense to the sponsoring corporation, including fees from the transfer of RRSP assets into the IPP.

IPPs can be flexibly structured and easily managed, and they allow for more accurate retirement income forecasting that eases tax, estate, and succession planning. Specifically, an IPP is a government-registered pension plan designed for one individual (but can have a few members) that allows its member(s) to accumulate and make significant contributions to their personal retirement fund above and beyond what is possible with a standard RRSP. IPPs offer tax and retirement savings and can be set up as defined benefit or defined contribution plans.

Who is an IPP best for?

Key executives, business owners, and incorporated professionals are usually excellent candidates for an IPP as they have consistent and significant T4 income. Incorporated professionals and small business owner-operators are particularly poised to benefit from an IPP as they will be able to invest their assets with top pension fund managers at institutional rates via a custodial arrangement.

Furthermore, family businesses can use IPPs as a tool for succession planning. As the older generation gets close to retirement, the younger generation can join the plan for continuity and beneficiary rights.

When is an IPP best?

At any age, personal RRSP assets can be converted into plan assets for a new IPP. When consistent and significant T4 income is being reported, the time is ripe to open an IPP.

Starting an IPP at a later career stage does not mean missing out – it is actually quite common. Since contributions to pension plans are determined partially by age, the older you are the more you need to contribute now to meet your retirement goals.

Why is an IPP beneficial?

- **Substantially greater contributions** allowed to the individual's registered retirement fund
- **Substantially greater tax deductions** for the sponsoring corporation
- **Contributions are tax-free** up to retirement
- **Additional tax-deductible contributions** can be made in the event of lower investment returns (RRSP contribution limits do not vary for poor investment returns)
- Business owners and incorporated professionals **don't have a legal requirement to contribute** – this applies to both current service contributions and plan shortfalls
- **Individual retains ownership** of pension plan and its surpluses
- Ensures accurate estimations of retirement benefits for easier and more effective **estate planning and succession management**
- Pension assets are **100% creditor-proof**
- **No deemed disposition** of plan assets upon death; all assets can remain in the plan to provide benefits to surviving members or spouse
- **Choices on retirement** include drawing a monthly pension or converting to an annuity or Life Income Fund
- Enables corporation to **deduct all costs** associated with the maintenance of the plan, including investment, custodial, and actuarial fees
- **Family businesses** can add the next generation to their IPP for **succession and estate planning purposes**

Where can I get more information?

Since IPP contributions have an annual government-regulated limit that legally must be determined by an actuary, you should work closely with an actuary who is an IPP specialist from plan initiation to retirement. This type of actuary can also provide you with free personalized sales materials for your clients.

The advantages of an IPP over an RRSP are many, especially for incorporated professionals and small business owner-operators. Making IPPs part of your wheelhouse can help you ensure you're offering your clients the best possible opportunities.

Watch for a future eFORUM article about how to work with your actuary to communicate the benefits of an IPP to your clients.

Rebecca Neal, FSA, is an actuary with TT Actuarial Inc., a firm with deep IPP experience. She hosts The Pension Pod, a podcast focused on pension solutions, which includes [this episode](#) with expert insights on IPPs from Chris Tomev.

