Group Savings & Retirement

# Individual Pension Plan

*An alternate solution for business owners and senior executives*

STANDARD LIFE

# *The retirement planning needs of business owners and senior executives are unique. RRSPs are often restrictive. Consider an Individual Pension Plan…*

## How does it work?

- ✔ An Individual Pension Plan (IPP) is a defined benefit pension plan essentially set up for one person.
- ✔ The plan design takes into account the member's **salary, age** and **years of service** in order to maximize the money that can be saved for retirement, on a tax deferred basis.

## Why is an IPP the ideal solution?

- ✔ The contribution room in an RRSP is determined based solely on the member's **salary**, up to the maximum allowable rate and dollar limit determined by the government.
- ✔ By taking into account not only the member's **salary** but also his/her **age** and years of **service** in its design, the IPP is a more effective alternative for the unique retirement planning needs of business owners and senior executives.

## Who benefits most?

- ✔ Individuals over 40 who regularly earn at least $75,000 in employment income (T4).
- ✔ For younger individuals, or lower income earners, the buying back of eligible years of past service can make the IPP an attractive program.

## What needs is the IPP designed to meet?

### For the small business owner

- Maximize tax-sheltered contributions and benefits for retirement
- Provide ownership and protection of assets, under certain circumstances
- Facilitate the sale of the company or business succession planning

### For corporations

- Enhance compensation to executives
- Attract and retain key individuals
- Deduct, for tax purposes, plan administration expenses

If an IPP is considered for more than one individual in the same organization, a multiple IPP solution is available that is both flexible and cost effective.

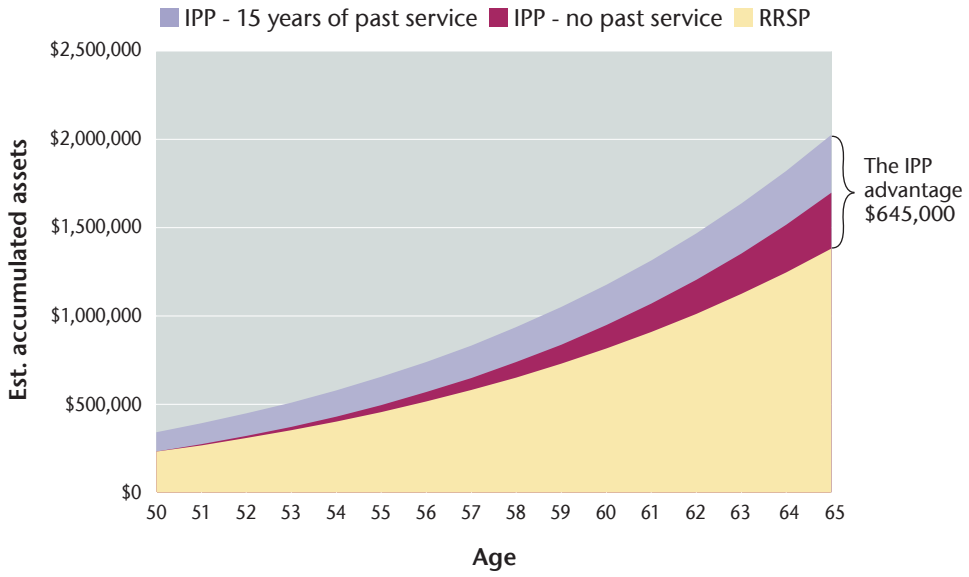
To further enhance benefits, the IPP can be combined with a Retirement Compensation Arrangement (RCA) or other supplementary executive retirement plan.

## About Standard Life…

The Standard Life Assurance Company of Canada is a major investment, retirement and financial protection company. Along with its affiliated companies in Canada, The Standard Life Assurance Company of Canada had $36.89 billion in assets under management as of December 31, 2006. We offer a wide range of financial products and services to over 1.31 million individuals, including group insurance and pension plan members. Total premium income and deposits reached $5.17 billion in 2006. Standard Life group has been a prominent player in the Canadian marketplace since 1833. (www.standardlife.ca)

The Standard Life group is a leading provider of financial products and services, with approximately 7 million customers and 1.5 million shareholders worldwide. As of December 31, 2006, its investment management business had $301 billion in assets under management. Founded in Edinburgh (Scotland) in 1825, The Standard Life Assurance Company demutualized in 2006 and a new public company – Standard Life plc – was born. Standard Life plc was listed on the London Stock Exchange (LSE), under the ticker symbol or code SL., on July 10, 2006. Standard Life plc entered the FTSE 100 on September 18, 2006, after the quarterly review of the index by the FTSE group. In March 2007, Standard Life Plc became part of the FTSE4Good Index, which is used to identify companies that meet globally recognized corporate responsibility standards. (www.standardlife.com)

**Table 1 - Estimated accumulated assets**




*Note that examples and graphs shown on this and the following page are for illustration purposes only and are not guaranteed. A formal quotation, taking into account the member's particulars, is necessary in order to produce an illustration that is representative of the actual situation.*

## Maximum Tax Deductions

Small businesses and corporations can tax shelter thousands of dollars more in an IPP than they can by using alternate methods to contribute to an RRSP alone.

Assets held in the IPP grow and remain tax-sheltered even during retirement, if the pension is paid out directly from the plan.

Years of past service with the current employer can be recognized, subject to certain conditions, resulting in additional tax-deferred contributions and retirement benefits.

*Table 1 shows an example of the possible asset accumulation at 7.5% compound interest per annum using an IPP as compared to contributing to an RRSP alone up to the maximum permitted, for a male member aged 50 earning a salary of $110,000 per year and retiring at age 65.*

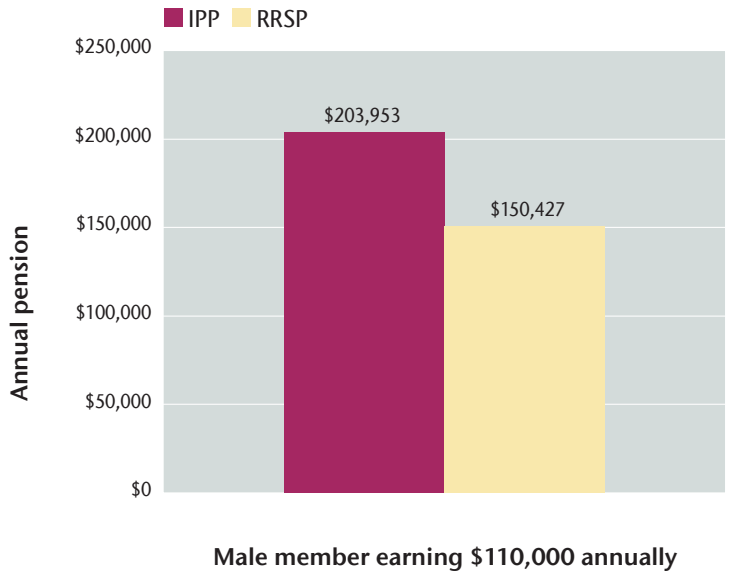
## Ownership of Assets

Depending on how the plan is worded, the IPP assets, including the actuarial surplus, if any, may become the property of the member, on plan wind-up. Within certain limits, the surplus may be used to upgrade retirement benefits, although some of it may be subject to income tax. If there is a funding shortfall, it may have to be made up by the employer, depending on applicable legislation, but the additional contributions are tax deductible.

## Protection of Assets

The IPP generally provides protection from creditors in situations where the IPP is required to be registered with pension authorities and is fully subject to provincial or federal pension legislation. Seizure may apply in cases of tax recovery by tax authorities and defaults on alimony payments or compensatory allowances.

**Table 2 - Pension comparison**




*Remark: The increased pension is a result of the IPP's design and its ability to allow for contributions above what can normally be tax-sheltered under an RRSP and the corresponding investment income generated thereon over time.*

## Optimum Benefits

The IPP is designed to generate the most pension and ancillary benefits a registered pension plan can buy. An employee aged 40 participating in an IPP until age 65 can expect to receive at retirement, under certain conditions, an annual pension approximately 32% higher than by using an RRSP alone (refer to table 2).

Furthermore, depending on the circumstances, additional benefits may be provided:

- Unreduced early retirement pension
- Post-retirement indexing equal to full Consumer Price Index (CPI) increases
- Bridge benefits

## Flexibility at Retirement

- The IPP pension may be paid out directly from the plan or its value used to purchase a life annuity.
- Alternatively, the value of the benefits may be transferred into a Life Income Fund (LIF) or a non locked-in Registered Retirement Income Fund (RRIF), when permitted by applicable legislation.
- Retirement can be as early as age 55 or as late as age 71.

# … and we take care of it all

An IPP is subject to a number of statutory requirements that make it important to have the plan in the hands of an experienced service provider. At Standard Life, all IPP services are available in one place.

## Administration

Standard Life and its specialized personnel, dedicated to the funding and administration of defined benefit pension plans, provides for a trouble-free plan through a turn-key solution:

- Initial consultation
- Ongoing advice on plan design
- Preparation of the plan text
- Plan registration with the relevant authorities, when required
- Preparation of initial and triennial actuarial valuations
- Monthly fund statements for the plan sponsor
- Annual statements for members
- Preparation of Annual Information Returns and/or other reports and forms required by pension authorities
- Annual calculation of the Pension Adjustment (P.A.) for T4 tax reporting purposes

## Investment options

The IPP assets are invested through Standard Life's Quality & Choice Investment Program that offers, through some of the best fund managers in the business today, a wide range of market-related funds, which are diversified by:

- asset class (e.g., equity, fixed income, balanced),
- geographic region (e.g., domestic, U.S., foreign), and
- investment style (e.g., value, growth, active, passive).

In addition, IPP assets may be invested in a variety of term deposit funds.

The plan sponsor may track the evolution of IPP assets through Standard Life's *VIP Room* website, as well as access various investment related decision-making tools and information.

Here is a list of participating fund managers in our Quality & Choice Program.

Addenda Capital
AIM TRIMARK
Beutel Goodman Investment Counsel
The Ethical Funds Company
Fidelity Investments
GE Asset Management
Guardian Capital LP
Jarislowsky Fraser Limited Investment Counsel
McLean Budden Investment Managers Since 1947
Russell
Schroders
Standard Life
Standard Life Investments
Franklin Templeton Investments
UBS Global Asset Management

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# Talk soon.

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GE11158C-01-2008 GS