Assumption Life

PERSONAL PENSION PLAN GUIDE

The road to better retirement for business owners and incorporated professionals.

INTEGRIS

6320-00A-APR20

What is a Personal Pension Plan (PPP®)?

A PPP® is a Canadian tax-savings solution for business owners and incorporated professionals looking for a better way of saving for their retirement. As compared to an RRSP, the pension solution allows up to 60% greater tax-deferred compounding until the individual retires.

The PPP® is a combination plan that offers both a defined contribution[1] and a defined benefit[2] option. It allows plan members the flexibility to choose which plan component and contribution method better fits their needs at the start of every year. It also allows members to make additional voluntary contributions on top of the amount deposited by the employer (as long as it does not exceed the maximum amount authorized by Income Tax Regulations), making it a custom solution for each plan member.

[1] Defined Contribution: A specified percentage of the employee's yearly salary contributed to the Pension Plan by the employer. Note that it is mandatory for an employer to contribute at least 1% of the PPP® owner's T4 income to a Defined Contribution account, when the owner selects this option.

[2] Defined Benefit: A Pension Benefit that is determined by a distinct formula. This formula equals to 2% of the average best three annual salaries indexed to retirement for every recognized year of service. The benefit must not exceed the maximum amount authorized by Income Tax Regulations.

Who can benefit?

- BUSINESS OWNERS
- FRANCHISEES
- INCORPORATED PROFESSIONALS

The benefits of a PPP®

Shelter more income – A PPP® has the ability to build a larger retirement nest egg by increased contribution levels on an annual basis.

Asset Protection – Savings within a PPP® are protected from the claims of trade creditors and furthermore, Assumption Life offers tax-exempt roll-over of existing RRSP assets which will provide further protection of all registered assets.

Tax Deductions – A PPP® allows individuals to deduct all investment, actuarial, administration and trustee fees related to their account from corporate income.

Mitigate Market Losses – A PPP® allows the sponsor to make additional tax-deductible contributions each year to top up the individuals account if investments return less than 7.5% to ensure full funding of the pension plan.

Contribution Flexibility – Assumption Life offers a combination plan that allows the member to switch between Defined Benefit[1] and Defined Contribution[2] components to allow for changes in the economic climate of the business.

Greater Scope for Investments – Assumption Life provides the flexibility to invest in a wide range of non-traditional investment vehicles that are otherwise not available inside of an RRSP.

Options upon retirement – Members can choose to either purchase a life annuity, opt for a monthly pension by maintaining the PPP® or roll the funds into a locked-in or non-locked-in retirement vehicle such as a LIF or a RRIF. All options must abide to maximums established by the CRA and the applicable legislation.

Comparison between a PPP® and other retirement options

FEATURES	PPP®	IPP	RRSP
Maximum Annual Contribution Limit	$27,830 - $45,731*	$18,350 - $43,532	$27,230
Flexibility to Choose Contribution Options (Defined Benefit or Defined Contribution)	Yes	No	No
Fiduciary Oversight	Yes	No	No
Broader Investment Options	Yes	Yes	No
Robust Creditor Protection	Yes	Yes	No**
Tax Deductible Administration & Investment Management Fees	Yes	Yes	No
HST Credit Refund 100%	Yes	Yes	No
Deduction of Interest on Borrowing	Yes	Yes	No
Full Service Administration	Yes	No	No
Ability to Make Additional Tax-Deductible Contributions During Market Volatility	Yes	Yes	No

**Increased contribution levels are dependent on age of plan member.*
***RRSP may be protected by Provincial legislation.*

How much more can be saved in a PPP®?

For example, let's say Dr. Metzger and his wife Dr. Jones both work for Max Health Professionals Inc. Both withdraw a yearly salary of $148,000 with excess earnings paid as dividends. If they made the maximum RRSP contribution from age 45 to age 65, and earned 5.0%, (paying fees of 1%), their combined RRSPs would be $2.25 Million.

If Dr. Metzger and Dr. Jones had Max Health Professionals Inc. sponsor a Personal Pension Plan for each, using the same assumptions, their combined pension assets would be $3.4 Million.

More benefits, more confidence

A PPP®, similar to an RRSP, provides savings for retirement that are tax deductible. However, PPPs can generate significant advantages beyond those provided by traditional retirement plans. A larger annual investment, the same tax-sheltered benefit – that's where PPPs can make a difference. That means higher contributions with the same benefits.

Talk to your Assumption Life advisor today and find out how you can maximize your retirement advantages with a PPP® that's as unique as you are.

Claudette Richard • BSc., MASc., PFP, CFP
Sales Manager, Investment and Retirement

(506) 870-9153, #5175 • (506) 866-5666
claudette.richard@assumption.ca

producerscorner.ca