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*“Financial advice is only as  
good as the person you ask.”*



## ➤ Dreaming of a golden retirement?

### CONSIDER AN INDIVIDUAL PENSION PLAN

For entrepreneurs and executives looking to reduce their taxes and maximize their retirement savings, an Individual Pension Plan (IPP) may be the answer. An IPP is a defined benefit pension plan that offers individuals stability, predictability, and certainty for their retirement income. Think of it as a “supercharged” RRSP.

Ideal candidates for an IPP are those aged 45 or older with an annual income of \$100,000 or more, not including dividend income. IPP members must have current T4 income and be employed by an incorporated company, which is taxable under the Income Tax Act.

An IPP offers several tax benefits. Like an RRSP, an IPP provides plan members tax-sheltered growth and the potential to enjoy lower taxes in the future when funds are withdrawn. While RRSP contributions are deductible on the contributor's tax return, IPP contributions are corporately deductible.

#### PENSION BENEFITS

For “connected” persons (those who indirectly or directly own 10% or more of the company or individuals not dealing at arm's length with the company), benefits are calculated as 2% of indexed earnings for each year of service up to a set maximum. Past service is also eligible for IPP contributions. Holders also have the ability to make a lump sum past service contribution in the year they establish the IPP.

For 2003, the annual pension maximum is \$1,722. Next year, this figure will increase to \$1,833. In 2005, the maximum will reach \$2,000 and in 2006, it will follow the rise in the average industrial wage index. An individual's total annual pension benefit is the sum of all benefit amounts for all years of pensionable service.

## Think of an Individual Pension Plan as a supercharged RRSP

For non-connected individuals, benefits are based on best average three-year indexed earnings for each year of pensionable service. The above maximums still apply.


#### ADVANTAGES & DISADVANTAGES

In addition to tax benefits, IPPs offer several advantages, including:

- Higher contribution limits than RRSPs
- Greater certainty over income
- Creditor protection
- Multiple income options

There are, however, a few disadvantages IPP members need to be aware of, such as:

- Restricted access to funds while working
- Potential for funds to be locked-in
- Reduced income splitting opportunity
- Higher expenses and more legislation


IPPs present a tremendous opportunity for business owners and professionals. For more information on this topic, please call. We'd be happy to send you more information. 

## •••• An IPP in action

Many individuals aren't aware of planning options other than RRSPs. While RRSPs have their advantages, they're certainly not the "be all end all" of retirement planning. For the right individual, an IPP can be a better solution. Take a look at the following case study to find out how.

### MEET THE JONESES

Bob and Mary Jones have been thinking about their retirement options recently. Bob is 53 years old and Mary is 47. They own a family-owned business, but would like to retire soon. They came to us to determine the best course of action for them.

We calculated past and current service contributions for both Bob and Mary. We also calculated future service contributions, assuming a gradual increase in contributions to both the IPP and the RRSP. As you can see, an IPP offered considerable advantages over a traditional RRSP. Contact us today to see if the same is true for your clients! 

#### IPP vs. RRSP CONTRIBUTIONS: MARY

AGE	IPP	RRSP
47 (past and current service)	\$68,175	\$14,500
48 (future service)	20,140	15,500
49 (future service)	21,651	16,500
50 (future service)	23,275	18,000
51 (future service)	25,021	18,990
5 year total:	\$158,262	\$83,490
Total to age 65:	\$786,752	\$490,041
<b>IPP ADVANTAGE:</b>	<b>\$296,711</b>	

#### IPP vs. RRSP CONTRIBUTIONS: BOB

AGE	IPP	RRSP
53 (past and current service)	\$96,270	\$14,500
54 (future service)	22,543	15,500
55 (future service)	24,234	16,500
56 (future service)	26,052	18,000
57 (future service)	28,006	18,990
5 year total:	\$197,105	\$83,490
Total to age 65:	\$511,600	\$278,255
<b>IPP ADVANTAGE:</b>	<b>\$233,345</b>	

## •••• Investments to consider for your IPP

The investment flexibility of an IPP is similar to that of a self-directed RRSP. However, IPP investments should follow the "prudent man" standard, meaning that investments should be well diversified. Here are three top-quality mutual funds that fit the bill:

### ELLIOTT & PAGE MONTHLY HIGH INCOME FUND

The Elliott & Page Monthly High Income Fund is an excellent conservative investment offering stability, diversification, growth, tax efficiency and high yields. By investing in both federal and provincial bonds, the fund achieves the stability suitable for an IPP. Thanks to the fund's strategic asset allocation plan, you can be assured that the fund is diversified to minimize risk and maximize gains. Growth is offered by investing in

well-established, blue chip Canadian and international equities. Investing in real estate investment trusts (REITs) and royalty trusts helps to achieve tax efficiency and solid yields.


### VERTEX BALANCED FUND

The Vertex Balanced Fund strives to offer investors capital growth through a diversified portfolio. The fund achieves this goal by investing in a mix of domestic and foreign equities, bonds and special situations. The bond portion of the fund (constituting a minimum of 30% of the fund) consists of government and corporate bonds, debentures, preferred shares and convertible debentures. Equities are invested in 10-15 core stocks in exceptional companies. The fund's combination of

growth and income are appropriate for the IPP investor.

### TRIMARK SELECT GROWTH FUND

Similar to the funds above, the Trimark Select Growth Fund seeks to provide strong capital growth using a high degree of reliability over the long run. This diversified global equity fund invests in leading global companies offering good future growth potential and trading at reasonable prices. The fund's outstanding long-term track record as well as its team of skilled managers make the Trimark Select Growth Fund an excellent candidate for an IPP.

Interested in learning more? Please consult with your ZLC advisor to determine the proper fund mix for your IPP! 

## FAQs on IPPs

With a topic as detailed as IPPs, questions are bound to arise. So we've put together a few FAQs to clarify the topic. If you have a question we didn't address, please feel free to give us a call. We'd be happy to answer any questions you may have!

**Q: Who sets up and manages the IPP?**

**A:** We take a team approach to IPP planning. We combine our financial planning skills with the expertise of an actuary to set up and implement any Individual Pension Plan.

**Q: How does joining an IPP affect the RRSP deduction limit for an individual?**

**A:** Once an individual establishes an IPP, the individual can no longer make contributions to his/her RRSP. Instead, the incorporated company will contribute to the IPP for the individual.

**Q: What factors are taken into consideration when calculating an individual's benefit from an IPP?**

**A:** The benefit is based on an actuarial calculation using years of service and level of income.

**Q: What is the corporate contribution based upon?**

**A:** The corporate contribution considers both past and current service.

**Q: What are the settlement options?**

**A:** Optional withdrawals start at age 55. Compulsory withdrawals begin at 69.


**Q: What is the fee structure?**

**A:** There is an initial plan implementation fee of \$1,050 and an annual maintenance fee of \$550. The annual fee includes actuarial expenses, reporting and administration and triennial valuations.

**Q: What are the withdrawal options?**

**A:** There are four options available.

IPP members can:

1. Take a pension from the plan;
2. Purchase an annuity from an insurer;
3. Make a cash transfer to an RRSP or RRIF (but amounts are limited);
4. Transfer into a locked-in RRSP or life income fund. 


## Consider an IPP yourself!

If you're like most of our readers, you probably use the information we provide in our quarterly newsletter to assist your clients. We think that's great – in fact, that's exactly what the newsletter is for. We would like to point out, however, that you too can benefit from our suggestions. Take the IPP for example.

An IPP is an excellent way for executives, incorporated professionals (doctors, lawyers, accountants, etc.), and small business owners to create a sizable pension for themselves. As a professional yourself, an IPP is a viable retirement option for you to consider.

One of the best features of the plan is that you're not restricted to the same deduction limits that govern RRSPs. Thanks to changes in the federal budget, contribution limits for IPPs are higher – and will remain higher as this figure continues to rise in coming years.

Both IPPs and RRSP offer plan members tax-sheltered growth. In the case of IPPs, however, contributions are only corporately deductible.

So if you're looking for a proactive way to save aggressively for your retirement, consider an IPP. Call us today for more information. We would be happy to help you determine if an IPP is right for you. 

## Would your clients benefit from an IPP?

### OUR IPP EXPERTS CAN TELL THEM ABOUT IT!

Do you have clients who would benefit from an IPP? Why not bring in Zlotnik, Lamb and Company's IPP experts to tell them about it?

Our IPP team has developed a detailed presentation entitled *The Personal Pension Solution* for this purpose. *The Personal Pension Solution* illustrates the benefits of an IPP in clear, easy-to-understand terms.



A customized presentation by Zlotnik, Lamb and Company is an excellent way to add value to your client relationships, and to demonstrate how you're working hard to help clients achieve their retirement goals.

**CALL 604.688.7208 TODAY  
TO SCHEDULE A PRESENTATION  
FOR YOUR CLIENTS!**



➤ **Zlotnik, Lamb  
& Company**  
*At your service*

At Zlotnik, Lamb & Company, we strive to provide the best independent advice, products and services to our professional clients. We're confident our advisors have the knowledge and experience you require to make us an integral component of your professional financial team.

Allow us to introduce you to our team of financial professionals. Whether it's detailed financial planning or just a second opinion you're looking for, you can be sure of our help.



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*“Financial advice is only as good as the person you ask.”*



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