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## QUESTION

## What is an Individual Pension Plan (IPP)?

## ANSWER

Think of an IPP as a pension plan in miniature: a defined-benefit pension created by a corporation for the benefit of a single person. Like a traditional pension, an IPP is registered with the provincial and federal governments and governed by appropriate legislation. Designed for owners and key employees of incorporated small and medium-sized businesses, an IPP can be superior to

an RRSP for the right person. An individual pension plan can potentially provide 50% more retirement income than an RRSP. An IPP is created by the corporation, which then makes contributions to the plan on behalf of its beneficiary. Contributions are deductible by the corporation, as are the fees and costs paid by the company to maintain the plan. Like an RRSP, assets within an IPP grow on a tax-sheltered basis, and can be invested in a number of qualified investments. Upon the beneficiary's retirement, the IPP can be used to make regular payments to the beneficiary.

### The Benefits of an IPP are:

- Up to 50% more retirement income than an RRSP
- Guaranteed funding
- Defined retirement income stream
- Indexation for inflation
- Creditor proofing
- Estate planning
- Tax deductible past-service contributions for earnings since 1991 **BL**

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