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## Individual Pension Plan (IPP)





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## Individual Pension Plan (IPP)

The Individual Pension Plan (IPP) is a defined benefit (DB) pension plan established by an incorporated company, typically with a single member. It allows members to accumulate more retirement capital than a Registered Retirement Savings Plan (RRSP), since the maximum contributions that can be made to an IPP are greater.

### Ideal/Targeted Candidate

An incorporated business owner (who holds at least 10% of a class of shares) or an incorporated professional who is at least 40 years of age, earns T4 earnings rather than dividends, and has managed the company for several years.

### Benefits

For the incorporated company:

- Annual tax-deductible contributions
- Significant lump-sum, tax-deductible contributions may be made for years of service prior to the effective date, to fund future deficits and to finance a retirement before age 65;
- Contributions are not subject to payroll taxes;
- All actuarial fees, administrative fees and investment management fees paid by the company are tax deductible;
- The company may contribute any amount in a given year, from \$0 up to the maximum contributions recommended by the actuary;
- The IPP can be terminated at any time by the company;
- When family members work for the company, they can participate in the IPP even if they are not shareholders of the company;
- The IPP can help reduce the company's passive income.

For the member:

- The IPP is fully funded by the company;
- The IPP provides a predictable retirement income;
- The IPP pays the member the maximum lifetime DB pension of 2% of indexed annual earnings up to the defined benefit limit (DB limit) per year of service. In 2026, the DB limit is \$3,932.22 per year;
- Contributions do not constitute a taxable benefit for the member;
- Maximum contributions are higher than an RRSP, because they increase with age;
- IPP assets accumulate tax-free;



- IPP assets are protected from creditors;
- IPP assets are not locked-in;
- Upon termination of the IPP, the surplus, if any, belongs to the member;
- At retirement, the member has the choice of receiving a pension from the IPP, transferring the assets to a RRIF or purchasing an annuity;
- The IPP pension can be split with the spouse.

### Illustration for an IPP implemented on January 1, 2026.

Age of Member	Annual Life Pension at Age 65	Accumulated Capital at Age 65	Lump Sum Contribution for Past Service since 1991	Current Service Contribution for 2026
50	\$412,594	\$5,823,464	\$277,661	\$44,216
55	\$302,256	\$4,263,777	\$516,268	\$48,569
60	\$205,570	\$2,900,595	\$677,231	\$53,350

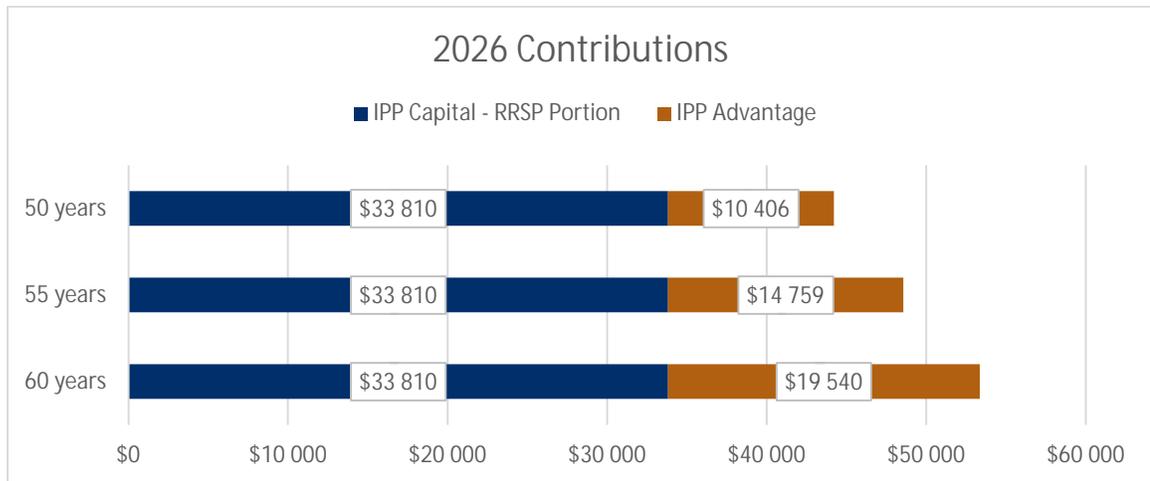
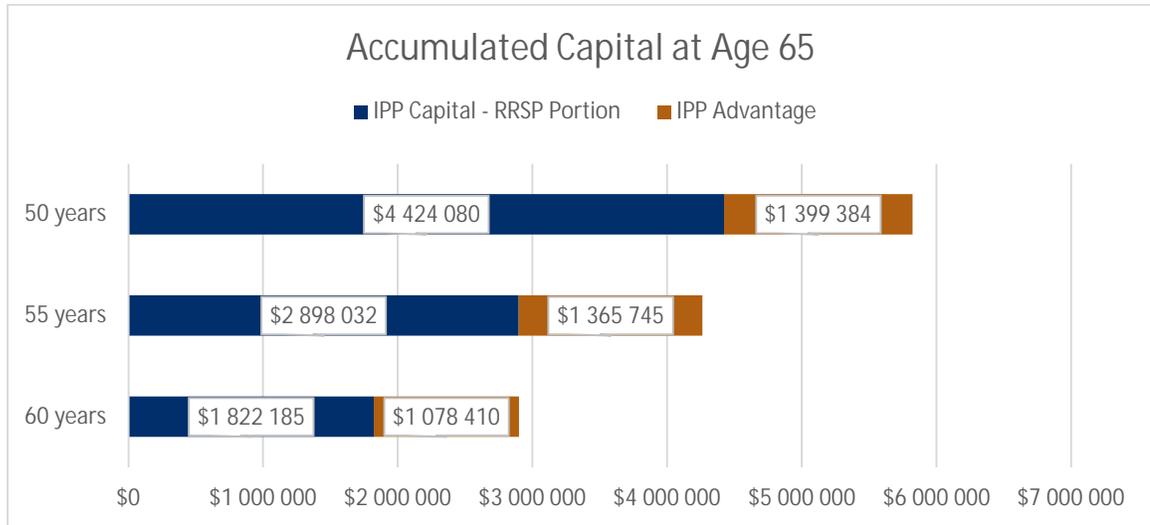
**Assumptions used:**

- Date of birth: January 1<sup>st</sup> of a given year.
- Member earns the maximum annual earnings required to receive maximum pension benefits each year since 1991: \$196,611 for 2026.
- No unused RRSP contribution room.
- The eligible RRSP transfer is \$1,083,189 for age 50 and \$1,118,689 for ages 55 and 60.
- Assumptions for rates of return (7.5% per annum) and annual salary rate of increase (5.5% per annum) are those prescribed by the *Income Tax Act*.



## RRSP Comparison

Assuming the same parameters and assumptions as in the previous table, the following shows a comparison of the capital accumulated at age 65 and the IPP contributions for 2026 in comparison to the RRSP:



## Free Personalized Simulation

Request your free personalized IPP simulation today by contacting [rri@optimumactuariat.ca](mailto:rri@optimumactuariat.ca) or calling 514 288-1620 ext. 106.





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