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PPPs offer higher contribution caps than RRSPs

By AdvocateDaily.com Staff

INTEGRIS Pension Management Corp. founder and CEO Jean-Pierre Laporte has a plan to help lawyers and other small business owners save more for retirement.

Laporte tells AdvocateDaily.com the pension plan devised by his firm allows for greater contributions and potentially bigger tax savings, but he's not sure people are getting the message.

INTEGRIS has developed Personal Pension Plans (PPPs), which Laporte says offer distinct advantages over more traditional retirement savings tools such as Registered Retirement Saving Plans (RRSPs).

“PPPs are governed by the pension rulesoutlined in the *Income Tax Act* and, in Ontario, the *Pension Benefits Act*, but they aren’t as pricey or heavily taxed as RRSPs and they have lower fees,” he says. "That's because they're tax-deductible whereas the Canada Revenue Agency has made it clear that fees levied against RRSP assets cannot be tax-deductible.

“Over 20 years, if you assume the same rate of return with an RRSP, the lawyer saving through a PPP could have an extra million dollars to retire on," he says. "Why? You're allowed to put much more money in, year after year — it adds up."

These types of pension plans aren't as widely known or championed by financial advisors, and Laporte understands the reasons for that.

"The way the financial industry is set up, the incentives have not been put in place to help the client," Laporte says. "The system is geared to make money for the advisors and the financial companies they work for. If clients happen to be helped along the way, that's a fortuitous by-product of the system."

These individual pension plans — about 11,000 of them across Canada — have been available for decades, but are a well-kept secret in financial circles.

"They're not advertised at all," he says. "Part of the problem is that one needs to be highly knowledgeable about pensions to speak intelligently about them, and the world of pensions is reserved to large employers with extensive workforces, not the owner-operator or the professional corporation marketplace."

By relying on traditional pension rules, he says personal pension plans are "extremely tax efficient."

"Every year as you get older, the Income Tax Act allows you to put more money than what RSPs allows," Laporte says. "In fact, by age 64, the difference in the contributions you can make is about $17,000.

"You're really blowing the lid off the RSP limit," he says. "This annual tax advantage is only one of six additional tax advantages RSP can't access because they're not in the right type of plan. Much larger tax deductions are also available in other circumstances, including market downturns and early retirement.

Laporte says special tax breaks given to these types of pension plans over RSPs include:

· claiming management fees which stay with the plan;

· if the money invested in the pension plan fails to earn the 7.5 per cent return required by income tax regulations, the actuarial deficit can be amortized with additional tax-deductible contributions, allowing for the sheltering of substantially more corporate money that would have been otherwise taxed away.

"People haven’t had any of these rules explained to them," Laporte says. "As a result of this lack of knowledge, lawyers and other professionals go to the bank to open an RSP because that's what everyone does. They have no clue that there's something much better for them.