

Strategic Validation

Individual Pension Plan

for:

Mrs. Sheila Counts

Prepared on:

October 2, 2008

Your LOGO

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Strategy Validation

Imagination – working for you.

This document, prepared by Planist Ltd., results from a proven, effective strategy validation method, applied to your personal situation. It was completed using the information gathered by your financial advisor.

When it comes to personal finance, every client has his or her own objectives, and that's what makes each one unique in our eyes. This is why Planist presents a series of strategies to meet each person's individual requirements .

The Individual Pension Plan Strategy. This kind of strategy is ideal for business owners, corporate executives and incorporated professionals.

The individual pension plan (IPP) is a defined-benefit pension plan . Depending on the circumstances, it permits to contribute more for older plan members than they could with an RRSP. The greater the member's age, the greater the gap between RRSP contributions and IPP contributions.

Once the plan is in place, it is the employer who contributes.

In the following pages, you will see that this strategy validation provides conclusive results when applied to your situation .

Since your financial security comprises a number of interrelated elements, such as taxation, savings management, risk management and estate planning, Planist strongly recommends that you obtain a complete picture of your financial position by requesting a comprehensive and integrated financial strategy simulation . Planist will then seek out the best possible advice to meet your needs, in your own interests.

We hope you find this document interesting!

Attention: The results of this strategic validation are based on the information provided by the financial advisor. Planist Ltd. ensures that any tax advice provided is lawful and that the mathematical calculations used to illustrate this strategy are accurate, but it is not in a position to verify the specific data appearing in this document. For illustration purposes of this financial strategy, we assume a setup date within 90 days .

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Simulation of your individual pension plan (IPP) with past services buyback

October 2, 2008

Term	Age	Past service	Salary	Past services buyback		
				Past services contributions	PSPA	Projected pension
1	34	1991	\$0	\$0	\$0	\$0
2	35	1992	\$0	\$0	\$0	\$0
3	36	1993	\$0	\$0	\$0	\$0
4	37	1994	\$25,000	\$6,635	\$3,500	\$1,145
5	38	1995	\$40,000	\$10,463	\$6,200	\$1,805
6	39	1996	\$40,000	\$10,316	\$6,200	\$1,780
7	40	1997	\$45,000	\$11,475	\$7,500	\$1,980
8	41	1998	\$60,000	\$14,844	\$10,200	\$2,561
9	42	1999	\$52,000	\$12,693	\$8,760	\$2,190
10	43	2000	\$62,000	\$15,054	\$10,560	\$2,597
11	44	2001	\$69,000	\$16,447	\$11,820	\$2,838
12	45	2002	\$75,000	\$17,511	\$12,900	\$3,021
13	46	2003	\$80,000	\$18,304	\$13,800	\$3,158
14	47	2004	\$90,000	\$20,287	\$15,600	\$3,500
15	48	2005	\$105,000	\$23,323	\$18,300	\$4,024
16	49	2006	\$135,000	\$24,202	\$20,400	\$4,175
17	50	2007	\$135,000	\$24,202	\$20,400	\$4,175
				\$225,758	\$166,140	

Total past services pension adjustments:

Past services deficit as at January 1st

2008, if qualifying transfer made on: January 1, 2008

Excess of eligible contributions:

Total past services buyback:

-\$166,140

\$59,618

\$8,000

\$67,618

Unused RRSP contribution room, end of 2007:

Excess of eligible contributions

Amount to be transferred from your RRSPs

\$0

-\$8,000

\$158,140

Deemed date of qualifying transfer: December 31, 2008

Past services deficit as at January 1st 2008, if buyback made

Total eligible contributions for 2008

\$78,664

\$78,664



**Mrs. Sheila Counts
IPP vs. RRSP
October 2, 2008**

Age	End of year	RRSP			IPP								
		RRSP	Contributions	Cumulative total	IPP contributions	Transfer from RRSP	Cumulative total	RRSP contributions	Projected IPP pension at retirement	IPP pension payable at retirement	IPP pension payable	Bridge benefits	Total IPP pension payable
51	2008	\$158,140	\$20,000	\$178,863	\$103,849	\$158,140	\$277,674	\$0	\$4,175	\$43,124	\$0	\$0	\$0
52	2009	\$178,863	\$21,000	\$214,050	\$27,074	\$0	\$326,571	\$600	\$4,175	\$47,300	\$0	\$0	\$0
53	2010	\$214,050	\$22,000	\$252,914	\$29,105	\$0	\$381,240	\$600	\$4,175	\$51,475	\$0	\$0	\$0
54	2011	\$252,914	\$23,210	\$295,948	\$31,288	\$0	\$442,273	\$600	\$4,175	\$55,651	\$0	\$0	\$0
55	2012	\$295,948	\$24,487	\$343,532	\$33,634	\$0	\$510,316	\$600	\$4,175	\$59,826	\$0	\$0	\$0
56	2013	\$343,532	\$25,833	\$396,081	\$36,157	\$0	\$586,078	\$600	\$4,175	\$64,001	\$0	\$0	\$0
57	2014	\$396,081	\$27,254	\$454,045	\$38,869	\$0	\$670,333	\$600	\$4,175	\$68,177	\$0	\$0	\$0
58	2015	\$454,045	\$28,753	\$517,910	\$41,784	\$0	\$763,931	\$600	\$4,175	\$72,352	\$0	\$0	\$0
59	2016	\$517,910	\$30,335	\$588,205	\$44,918	\$0	\$867,797	\$600	\$4,175	\$76,528	\$0	\$0	\$0
60	2017	\$588,205	\$32,003	\$665,502	\$48,286	\$0	\$982,946	\$600	\$4,175	\$80,703	\$0	\$0	\$0
61	2018	\$665,502	\$33,763	\$750,421	\$51,908	\$0	\$1,110,486	\$600	\$4,175	\$84,879	\$0	\$0	\$0
62	2019	\$750,421	\$35,620	\$843,634	\$222,921	\$0	\$1,424,902	\$600	\$3,132	\$88,010	\$22,003	\$4,085	\$26,088
63	2020	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$88,663	\$16,462	\$105,126
64	2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$91,323	\$16,956	\$108,279
65	2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$94,063	\$13,099	\$107,161
66	2023	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$96,885	\$0	\$96,885

Mrs. Sheila Counts
Summary: IPP vs. RRSP
October 2, 2008

The main advantages of an IPP

1- Higher contributions than an RRSP (parameters)

The main advantage of an IPP is that it allows to make higher contributions for older members than an RRSP. The greater the member's age, the greater the gap between RRSP and IPP contributions. Here's why:

The actuaries who calculate IPP contributions must use assumptions stipulated by law:

- a – a yield of 7.5% per year for the plan;
- b – an inflation rate of 4% per year;
- c – an increase in the average industrial wages of 5.5%;
- d – a maximum pension of \$2,333 per year of service in 2008 and \$2,444 in 2009;
- e – indexing of the anticipated pension at the inflation rate less 1%;
- f – retirement at age 65.

2- Additional lump-sum amount for early retirement benefits

In the event of early retirement, payment of a substantial additional contribution, which is deductible.

3- Past service contributions

Contribution of appreciable amounts by the company in the case of a past service buyback.

4- After actuarial valuation, there is the possibility of making up the plan deficit if the 7.5% yield has not been achieved

5- The employer's contribution to the IPP is not subject to government payroll taxes

6- In Quebec, it is not necessary to register an IPP with the Régie des rentes du Québec to protect the plan from seizure. Moreover, if it is not registered with the RRQ, it is not locked-in

7- How to protect your retirement pension from creditors

Following the recent Supreme Court decision that raised certain doubts as to whether RRSPs are protected from seizure, individual pension plans still retain this quality, which is an essential part of any entrepreneur's sound financial planning.

**Mrs. Sheila Counts
Summary: IPP vs. RRSP
October 2, 2008**

Main disadvantages of an IPP

1- Start up and annual fees

There are and annual actuarial valuation fees.

2- End of Spousal RSP contributions

Since it is the employer who makes the contributions, there is no possibility of contributing to a spousal RSP.

3- Limited contributions if yield greater than 7.5 %

If the plan experiences a surplus (yield greater than 7.5%), contributions could be limited (to avoid this problem, use appropriate asset allocation strategies).

4- Transfer to RSP is capped

If you ever want to terminate a plan for any reason, a ceiling could apply to the transfer to an RSP (there are strategies to defer taxes, such as the purchase of an annuity).

5- A certain amount of paperwork, including an annual form to be filed with tax authorities

6- An active company (operating or management) must be available to sponsor the plan

7- Legal constraint of IPP contributions

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IPP Implementation Steps
October 2, 2008

- 1- A projection of IPP contributions is prepared for the client.
- 2- If the client wishes to proceed with an IPP after reviewing the numbers, the financial planner gathers his answers to 18 additional questions and provides these to the consulting actuary.
- 3- The consulting actuary then drafts a resolution to authorize the implementation of an IPP, to be signed by all directors, and a letter to confirm the accuracy of data (e.g. employment income, birth date, etc.), to be signed by the individual named as signatory in the resolution.
- 4- Once the originals of the resolution and letter to confirm the data are received by the consulting actuary, documents required to set-up the IPP are prepared (other than the trust deed) and sent to the notary along with the text of the IPP.
- 5- The financial planner then determines a date agreed with the notary, the IPP trustees, the financial planner and the consulting actuary for the signing of documents.
- 6- Documents are signed in a signing session.
- 7- The notary sends copies of the trust deed to the consulting actuary, who forwards these to the employer, the trustees and the financial planner.
- 8- The consulting actuary registers the plan with the Canada Revenue Agency (CRA).
- 9- The notary then registers the relevant clauses with the RPMRR (Register of personal and moveable real rights).
- 10- CRA acknowledges the receipt of documents and grants a temporary registration number, which permits employer contributions to the IPP.
- 11- CRA officially authorizes the IPP, which permits the transfer from the RRSP required by CRA (within 90 days from the authorization date).