



INDIVIDUAL PENSION PLAN

Canada's Most Powerful *Retirement Strategy* for Business Owners

Why incorporated professionals over 40 are leaving significant retirement capital on the table — and how the IPP closes that gap permanently.

2x+

MORE CONTRIBUTION ROOM THAN
RRSP AT AGE 40+

100%

CREDITOR PROTECTED — UNLIKE
PERSONAL RRSP

Tax-Free

CORPORATE CONTRIBUTIONS
FULLY DEDUCTIBLE

The Individual Pension Plan — *Plain Language*

An Individual Pension Plan (IPP) is a defined benefit pension plan registered with the CRA, set up by your corporation for your benefit as the owner-employee. Unlike an RRSP — which you fund personally with after-corporate-tax dollars — an IPP is funded by your corporation with fully deductible pre-tax dollars.

The IPP is governed by the same rules as large corporate pension plans, but structured for a single individual. Your corporation acts as the plan sponsor. You are the plan member. A third-party actuary determines the allowable contributions each year — and those contributions are almost always **significantly larger than your RRSP room**, particularly once you are past age 40.

Think of the IPP as your corporation building you a private pension — with the same tax advantages as a Fortune 500 company pension, structured entirely around your retirement date, your income history, and your T4 earnings.

How IPP Outperforms RRSP *Beyond Age 40*

The RRSP contribution limit is capped at 18% of earned income, up to a maximum (\$32,490 in 2025). The IPP has no such hard cap — contributions are actuarially determined to fund a defined benefit of 2% of your best average T4 earnings per year of service. As you age, the actuarial cost of funding that benefit increases dramatically, which is why IPP contribution room grows well beyond RRSP limits.

The table below illustrates approximate annual IPP vs. RRSP contribution room for an incorporated professional earning \$200,000 in T4 income:

AGE	RRSP LIMIT (2025)	APPROX. IPP CONTRIBUTION	IPP ADVANTAGE / YEAR	CUMULATIVE ADVANTAGE
40	\$32,490	\$38,000	+\$5,510	\$5,510
45	\$32,490	\$44,500	+\$12,010	\$87,500
50	\$32,490	\$53,200	+\$20,710	\$218,000
55	\$32,490	\$64,800	+\$32,310	\$430,000
60	\$32,490	\$80,500	+\$48,010	\$740,000
65 (retirement)	\$32,490	\$102,000	+\$69,510	\$1,150,000+

Approximate figures for illustration purposes. Actual IPP contributions are determined by a qualified actuary based on your specific age, T4 history, plan design, and CRA rules. RRSP limit shown is 2025 maximum.

Contribution Room — *How the Numbers Work*

IPP contributions are calculated by a registered actuary using a defined benefit formula. Here is a simplified example of how the annual contribution is determined for a 52-year-old incorporated professional with 20 years of T4 earnings history:

01 Define the Target Pension Benefit

The IPP is designed to pay a defined benefit at retirement equal to 2% of your best average pensionable earnings × years of service. For a professional earning \$200,000/year with 25 years of service, the target annual pension is: $2\% \times \$200,000 \times 25 = \$100,000/\text{year}$ at retirement.

02 Actuarial Costing of the Benefit

The actuary calculates the present value of funding that \$100,000/year pension from your planned retirement age, factoring in your current age, mortality tables, and an assumed investment return (typically 7.5%). The older you are, the more it costs to fund the same benefit — which is why annual contributions escalate with age.

03 RRSP Room Offset

Your existing RRSP contributions partially offset IPP room. The actuary accounts for pension adjustments (PAs) from prior years and may require you to transfer a portion of your RRSP balance into the IPP at setup. This is a one-time event — and typically a tax-neutral transfer.

04 The Annual Corporate Deduction

The resulting contribution amount is fully deductible to your corporation. At a 26.5% corporate tax rate, a \$55,000 IPP contribution generates roughly **\$14,575 in immediate tax savings** at the corporate level — on top of the tax-sheltered compounding inside the plan.

Past Service Contributions & Terminal Funding

Two features make the IPP uniquely powerful compared to any other registered plan in Canada: the ability to make past service contributions and the terminal funding top-up at retirement.

01 Past Service Contributions

When you first set up an IPP, your actuary can calculate contributions going back to 1991 (or the date of incorporation, whichever is later) — based on your historical T4 income. If the plan is underfunded relative to the defined benefit formula for those years, your corporation can make a **lump-sum past service contribution** to fund the shortfall. This can result in an immediate six-figure corporate deduction in year one of the plan. The maximum past service contribution for any one year of past service is capped by CRA limits, but the cumulative effect over a long T4 history can be very significant.

02 Terminal Funding

At the point of retirement, if the IPP assets are insufficient to fund the full defined benefit (which is common, as life expectancy assumptions are conservative), your corporation is **required** to make a top-up contribution — called terminal funding. This top-up is fully deductible to the corporation and is calculated by the actuary at retirement. For many business owners, this final contribution is one of the largest single deductions their corporation will ever take — often \$200,000 to \$500,000+ depending on age and plan history.

03 Creditor Protection

Unlike an RRSP, which has limited creditor protection in most provinces, assets held inside an IPP are fully protected from creditors under pension legislation. For business owners with personal guarantees, operating risk, or professional liability exposure, this protection is a material benefit that the RRSP simply cannot match.

04 Investment Control

The IPP can hold the same investment universe as an RRSP — GICs, mutual funds, ETFs, stocks, bonds — and in some structures, certain alternative assets. The plan trustee (often the business owner) controls the investment mandate within the CRA's rules for registered pension plans.

Margaret — Calgary

Incorporated Physician, Age 52

T4 income of \$220,000/year · Incorporated since 2005 · IPP established 2026

AGE 52	T4 INCOME \$220K	YEARS OF SERVICE 21 yrs	PLANNED RETIREMENT Age 65	TARGET PENSION \$92,400/yr
------------------	----------------------------	-----------------------------------	-------------------------------------	--------------------------------------

ANNUAL CONTRIBUTION COMPARISON

IPP Annual Contribution (age 52)	\$57,400/yr
\$57,400	
RRSP Maximum (2025)	\$32,490/yr
\$32,490	

YEAR ONE IPP SETUP — NUMBERS

Past service contribution (1991–2026, 21 years)	\$310,000
RRSP transfer into IPP (one-time, tax-neutral)	(\$185,000)
Net new corporate deduction in Year 1	\$125,000
Annual going-forward contribution (age 52)	\$57,400/yr
Annual RRSP alternative	\$32,490/yr
Annual extra deduction vs. RRSP	+\$24,910/yr
Estimated terminal funding top-up at age 65	~\$280,000
Total additional corporate deductions vs. RRSP (13 yrs)	~\$848,000+

** Sample illustration only. Actual contributions determined by a qualified actuary. Results depend on T4 history, actuarial assumptions, plan design, and CRA rules. Not a guarantee of future performance.*

Who Qualifies for *an IPP?*

The IPP is not for everyone. It requires T4 employment income from a corporation, an actuarial setup cost, and ongoing plan administration. Here is who it is ideal for — and who it is not suited for.

IDEAL FIT

- Incorporated professionals aged **40 or older**
- Receiving T4 income of **\$100,000+/year** from their corporation
- Business owners who have maximized RRSP and TFSA
- Professionals with a long T4 history (more past service = bigger deduction)
- Those who want **creditor-protected** retirement assets
- Doctors, dentists, lawyers, engineers, consultants
- Business owners planning to retire in 10–20 years

NOT IDEAL

- Sole proprietors without T4 income from a corporation
- Business owners under 40 (RRSP gap is smaller at younger ages)
- Those taking only dividends — no T4 income = no IPP room
- Owners planning to wind up the corporation within 5 years
- Those unwilling to pay annual actuarial and admin fees (~\$2,000–\$4,000/yr)
- Corporations with insufficient cash flow to sustain contributions

IPP vs. RRSP — *Full Comparison*

The RRSP is familiar and flexible. The IPP is more powerful — but more structured. Here is a direct comparison across the dimensions that matter most to incorporated business owners:

FACTOR	RRSP	IPP
Who funds it	You personally (after-corporate-tax dollars)	Your corporation (pre-tax, fully deductible)
Annual contribution limit	18% of earned income, max \$32,490 (2025)	Actuarially determined — grows significantly with age; often 2× RRSP at 50+
Past service contributions	None	Yes — can fund back to 1991 based on T4 history
Terminal funding top-up	None	Yes — large deductible corporate contribution at retirement
Creditor protection	Limited — varies by province	Full protection under pension legislation
Investment flexibility	Very flexible — any qualifying investment	Flexible — same universe, trustee-managed
Annual admin cost	None (self-directed)	~\$2,000–\$4,000/yr (actuarial + admin)
T4 income required	No — any earned income qualifies	Yes — must have T4 income from the sponsoring corporation
Spousal contributions	Yes — spousal RRSP available	Spouse can be added as a plan member in some structures
Best age to start	As early as possible	Age 40+ (advantage accelerates each year)
Overall advantage at 50+	Familiar, flexible, simple	More contribution room, bigger deductions, better protection

READY TO EXPLORE THE IPP

Find Out How Much Extra *Room You're Leaving Behind*

Most incorporated professionals over 40 are significantly under-contributing to their retirement. A 15-minute call with our team will show you exactly how much additional deductible room an IPP could unlock for your corporation — with real numbers.

- ✓ Review of your T4 income history and years of service
- ✓ Ballpark past service contribution estimate
- ✓ Annual IPP vs. RRSP contribution comparison for your age
- ✓ Referral to a qualified actuary for formal plan setup
- ✓ Coordination with your accountant and corporate structure

[BOOK A STRATEGY CALL →](#)

Cody Vass · Goald & Co Financial Inc. · Licensed in BC, AB & ON

Goald & Co Financial Inc. is a licensed life insurance brokerage operating in British Columbia, Alberta, and Ontario. Cody Vass is a licensed life insurance advisor. This guide is intended for general informational purposes only and does not constitute tax, legal, actuarial, or financial advice. IPP contribution calculations must be performed by a qualified actuary registered with the Canadian Institute of Actuaries. All contribution figures shown are illustrative estimates only. Individual results will vary. · goald.ca