Save with IPPs Building a bigger nest egg

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More and more business owners are looking for a simple solution to significantly increase their retirement income and grow their personal wealth outside the company. The solution is an Individual Pension Plan (IPP).

Doug Ridpath is such an owner. The president of CAPO Industries Ltd. in Burlington has begun thinking about his retirement and whether he will be able to continue living the lifestyle he enjoys now. The biggest issue is the amount he is allowed to put aside annually under government legislation.

With a cap on Registered Retirement Savings Plan contributions, Mr. Ridpath is concerned he hasn't put enough into savings and that he can be running out of time. At 59, Mr. Ridpath knows he needs to act quickly.

IPPS have regained popularity in recent years as government legislation continues to increase the amount Canadian taxpayers are allowed to save for retirement. They are an age-sensitive savings vehicle that are more advantageous to investors earning more that $100,000 a year and are over the age of 40. The older the employee, the greater the annual savings advantage over the conventional RRSP plan. For example, a 49-year-old has an annual maximum contribution of over $23,000, where the RRSP limit is $18,000. Annual deposits to an IPP are paid by the employer, are a deductible expense and face no payroll taxes. The deposits are not taxable to the employee as they never pass through the hands of the employee, and must earn a government-mandated 7.5 percent interest, regardless of the actual investment choice made.

"This is welcome news," says Mr. Ridpath, adding that he is prepared to put more money aside for his eventual retirement, or semi-retirement, in order that he may "live the same lifestyle that I have right now."

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