

Options beckon for baby boomers



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**By
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As your baby boomer clients inch ever closer to retirement, here are seven things both they, and you as an advisor, should consider:

- The recent flexibility of acceptable retirement ages has given Canadians more to weigh when planning their futures. How can you be sure your client will have sufficient assets to be able to choose early retirement? Any successful business relies on a plan for its success; individuals need to consider a retirement plan.

- Most Canadians do not feel government benefits (CPP and OAS) alone will be sufficient for retirement. However, it is also true that most Canadians have not taken a structured approach to retirement planning. The Individual Pension Plan (IPP) has been implemented by many business owners and professionals as a means to contribute up to 60 per cent more than RRSPs allow into their retirement assets.

- Incorporated professional and business owners are eligible to set up an IPP or Retirement Compensation Arrangement (RCA) and take advantage of higher contribution amounts than are currently available through RRSPs. In some cases these limits can range from hundreds to tens of thousands of dollars above current RRSP limits.

- If your client owns his own business and is relying on the sale of the business to fund retirement then creditor proofing those assets now would provide peace of mind. Retained earnings within a business are vulnerable to the slings and arrows of the business cycle and RRSPs are not completely creditor proofed. Both the IPP and (non-leveraged) RCA are 100 per cent creditor proofed and allow for contributions to be made from the company directly into your client's retirement plan of choice.

- If your client makes more than he consumes in a calendar year then he may wish to defer tax on a portion of his income until he retires, when his marginal tax rate may be lower. The IPP allows your client to make tax deductible contributions from his pre-tax corporate dollars to the IPP. These contributions will not be taxed until your client retires and withdraws an annual pension. The RCA also allows your client to make contributions from his corporation to his RCA until his retirement from the company.

- It is difficult for many Canadians to translate their contributory plans into annual income needed. The

IPP is unique from the RRSP in that it provides an individual with various annual income figures depending on that person's retirement age. This annual income is based on assumptions specific to the individual. Other factors used to ensure a pension benefit include annual contributions made to the plan as well as market performance. Every three years the actuary will review the plan, making sure it stays on track.

- Has your client seen the market drop dramatically in the past few years and wondered if there is any protection for his retirement savings? Unlike the RRSP there are

conservative investment guidelines for pension plans. They must be diversified – a safety first approach to investing. Also, they must earn an interest rate of 7.5 per cent. Many Canadians have seen their RRSP assets depreciate over the past five years with no recourse or additional contribution room to make up for these losses. If for any reason your client's IPP portfolio underperforms, he has the opportunity to make up the losses with additional tax deductible contributions, an option not found in the RRSP.

Individual Pension Plans and

the other complementary financial solutions mentioned in this article require specialties in areas such as accounting, actuary evaluation; investment management, pension legislation, employment law and employee benefit plan construction.

Many financial professionals will need to seek educational and consulting services to aid them in the set-up, maintenance and wind-up stages of these solutions. Therefore, it is well worth the time and money to hire an executive and employee benefit consultant to assist in the design, implementation and maintenance of these solutions.

The article was co-written by Trevor Parry, M.A. LL.B., who is executive vice-president of Gordon B. Lang & Associates Inc. He is also an author of The Essential Individual Pension Plan Handbook.

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