

GROUP RETIREMENT & PENSION PLANNING

Give your employees the gift of a lifetime, a Group Retirement Plan.



Which Plan is Right for Your Company & Employees?

Defined Contribution Pension Plan • RRSP • Deferred Profit Sharing



Defined Contribution Pension Plan vs. RRSP vs. Deferred Profit Sharing Plan

	DCPP	Group RRSP	DPSP
Waiting Period	Maximum of 2 years	Can be set by Employer	Can be set by Employer
Eligibility	<ul style="list-style-type: none"> •Anytime—max. 2 years service •Voluntary or compulsory •Shareholder & owners may join •Part time employees eligible (either 700 hours in each of 2 consecutive years or minimum earnings of 35% of YMPE, \$14,300) 	<ul style="list-style-type: none"> •Anytime •Voluntary •Shareholder & owners may join 	<ul style="list-style-type: none"> •Anytime •Shareholder & owners may NOT join
Contributions	<p>Deposits are made by the Employer and/or Employee.</p> <p>The employer must contribute a minimum of 1% of an employee's earnings.</p>	Deposits are made by the Employer and/or Employee.	<p>Contributions must be made by either:</p> <p>Reference to profits as:</p> <ul style="list-style-type: none"> •A percentage of profits for the year, or <p>Out of profits as:</p> <ul style="list-style-type: none"> •A percentage of members' salaries, or •A fixed dollar amount per member per year. •Employees cannot contribute.
Payroll Taxes	Employer contribution does not attract Payroll Taxes.	Employee's gross income is increased by the amount of the employer contribution, with a corresponding increase in Payroll Taxes.*	Employer contribution does not attract Payroll Taxes.
In Service Withdrawals or Transfers to other Plans	<p>No withdrawals of required contribution can be made while employed.</p> <p>Additional voluntary contributions can be withdrawn at anytime.</p>	Normally, funds can be withdrawn at any time, even prior to retirement.**	<p>Normally, no withdrawals can be made by the employee from a DPSP.</p> <p>Withdrawals can be made on termination of service or at retirement.</p> <p>A DPSP can allow "in service" withdrawals if employer chooses.</p>
Vesting***	Provincial legislation sets minimum vesting, locking-in, etc. requirements. Typically, 2 years membership = 100% vested.	Immediate vesting.	Maximum of 2 years plan membership vesting.

*If employee cannot withdraw funds while employed then the Employer contribution is a "non cash benefit" and not insurable for purposes of EI premiums. Withdrawals can be allowed under Home Buyer's or Life Long Learning Plans.

**If requested by the employer some financial institutions will not allow "in service" withdrawals. A member may be discouraged from withdrawing some or all of his funds while still employed. One way employers discourage withdrawals is by withholding future contributions for a period of time.

***Vesting prevents the employer from losing the money contributed to the retirement plan for an employee who leaves prior to the vesting period being met (varies by province).

DCPP vs. RRSP vs. DPSP Continued

	DCPP	Group RRSP	DPSP
Locked-in*	Funds are Locked in.	Not locked in.	Not locked in.
Transfer on termination	Locked-in pension money may be transferred to a personal "locked in retirement account" or to another pension plan. Funds remain "locked in." Provincial legislation allows employees to access funds in certain situations. (Financial hardship, low income, shortened life expectancy, retirees with small account balances)	Transfer to Personal RRSP or Pension Plan.	DPSP money can be transferred to a RRIF, pension plan or other RRSP.
Typical Retirement Income	Income payable for life. Income can be created with a Life Annuity, Life Income Fund and or Locked in Retirement Income Fund.	Life Annuity or RRIF, but income must start no later than last day of calendar year in which member turns 69.	Life Annuity or RRIF, but income must start no later than last day of calendar year in which member turns 69.
Reporting	Employee contributions are shown on the member's T4. As well, employee and employer contributions are shown as the Pension Adjustment (PA) on the T4. Annual Information Return, Form 7, T10 and T10 summary	Contributions to a RRSP do not appear on a member's T4 (except that "employer" RRSP contributions are included in earnings). As well, they do not form part of any Pension Adjustment (PA).	Employer contributions are shown as the Pension Adjustment (PA) on the T4. T10 and T10 summary
Contribution Limits	Maximum of 18% of current year's earnings to a maximum of \$19,000. (2006)	Maximum of 18% of prior year's earnings to a maximum of \$18,000. (2006) Unused RRSP room can be carried forward.	Maximum 18% of current year's earnings up to \$9,500. DPSP limit is one half the DCPP RPP limit.
Creditor Proofing	All Pension Plan monies are creditor proof.	Group RRSP contracts from insurers are creditor proof if preferred beneficiaries are elected.	Group DPSP contracts from insurers are creditor proof if preferred beneficiaries are elected.

*Employer can be assured that the money contributed by both the employer and the employee will not be used until retirement and then only to create retirement income.

Glossary

Pension Jurisdiction: Pensions are provincially regulated. All rules are based on Ontario rules.

Locked In: This occurs when pension benefits are deferred and cannot be accessed by the employee before retirement.

Vesting: Clause that describes when the contributions made by the employer legally belongs to the employee. It is usually shown as a percentage with respect to a certain length of time. (I.e. 50% vested after 1 year of plan membership, 100% vested after 2 years, etc.)

Portability: This refers to the practice of allowing an employee to transfer the vested value from a current employer to a plan with the new employer.



*I thought I had all the answers...
but Selectpath had more.*

We'd like to help simplify your life and business and give you more free time and peace of mind to enjoy your life.

No matter where your responsibilities lie, providing for your family or owning/managing a business; you have a VISION for what you want. But there are significant challenges that keep many of us from ever achieving our greatest vision for our families and our businesses.

At Selectpath, we're all about helping you no matter your vision or your need. We'll help put you on The RIGHT Path®.

THE NEXT STEP IS YOURS.
Take the First Step on
***The Right Path*®!**

Call us today for more information.

(519) 675-1177 or (888) 327-5777

or visit us at **www.selectpath.ca**