MANULIFE [PRIVATE WEALTH]

Individual Pension Plans

HIGH NET WORTH STRATEGIES

Individual Pension Plans and the family business

With changes to pension limits and the ability to include an Individual Pension Plan (IPP) in a succession plan, IPPs have become the RRSP alternative for many business owners. Normally on the death of the surviving spouse[1], registered assets create a tax liability in the estate. An IPP for a family business can be an effective way of transferring registered assets to the second generation on a tax deferred basis.

WHAT IS AN INDIVIDUAL PENSION PLAN?

An Individual Pension Plan (IPP) is a defined benefit pension plan. If you are a business owner, an IPP offers both maximum tax relief and a maximum retirement pension. The result?

You won't have to rely solely on your Registered Retirement Savings Plan's (RRSP's) performance to provide a long and happy retirement. That's because IPPs also offer guaranteed lifetime income and any surplus in the plan may be payable to you.

WHY ARE IPPS SO POPULAR?

The maximum pension limit for 2017 is $2,914.44 per year of service. This limit is subject to increases based on the Average Industrial Wage.

At age 50, the annual maximum contribution is $7,190 higher than the maximum contribution to an RRSP. As you get closer to retirement the cost to provide the benefit increases. You can also include service back to 1991. This is optional but if you decide to include extra years, it will significantly increase the amount that can be deposited into the plan.

1 Includes a spouse or common-law partner as defined by the Income Tax Act (Canada).

OPPORTUNITIES

The family business

Normally on the death of the surviving spouse, registered assets create a tax liability in the estate. An IPP is an ideal way to keep the assets in a tax-deferred vehicle when involving a family business.

If the business is continuing after the parent retires, the family member (usually a son or daughter) taking over the business can be added as a member of the existing plan. By leaving the plan intact, any assets not used to provide benefits to the retired parent will remain and can be transferred to the second generation without triggering tax.

Sale of a business

Most small businesses are sold to family members or partners. The proceeds from these types of asset sales are treated as taxable income. By setting up an IPP and using terminal funding, a deduction can be created against this income.

Early retirement

Legislation requires funding projections to be based on a retirement age of 65.

However, anytime after attaining age 60, a member of an IPP can retire and supplement the benefits provided in the plan by adding unreduced early retirement benefits, cost of living increases and bridging benefits. These early retirement benefits can provide a significant additional tax deduction for the company.

CONTRIBUTION COMPARISON 2017

Age	IPP ($)	RRSP ($)	Difference ($)
40	27,600	26,010	1,590
45	30,300	26,010	4,290
50	33,200	26,010	7,190
55	36,500	26,010	10,490
60	40,100	26,010	14,090
65	42,300	26,010	16,290

For illustration purposes only.

IDEAL CANDIDATES

- Owners of an incorporated company
- Individuals age 40 or older
- People who earn employment income reported on a T4 of at least $145,800 from the company sponsoring the Individual Pension Plan

TAKE ACTION

- Request a quote from your advisor showing the deposits that can be made based on your age and length of service while incorporated
- Compare the benefits of an IPP to an RRSP
- Work with your advisor to establish an IPP if you determine it is right for you

GROW, PRESERVE, AND TRANSITION YOUR WEALTH

In 2012, we launched Manulife Private Wealth to offer high-net-worth individuals an opportunity to have their money managed the same way Manulife manages its own balance sheet.

Goals-Based Investing

Our investment strategy measures success based on the ability to help you meet each of your individual goals. Leveraging the institutional expertise of Manulife, we create personalized portfolios and actively monitor them to ensure your goals are on track. Manage your money the same way Manulife manages its own balance sheet and review your progress with our mobile friendly online portal.

Through a goals-based investing approach, we have transformed the investing experience from account-centric to client-centric. That means our conversations start with you and what really matters to you – now and in the future.

Global Diversification

Achieving financial goals in today's environment requires accountable expertise and personalized solutions. That is why Manulife Private Wealth's unique goals based approach to investing is complemented with best-in-class institutional solutions. Leveraging the institutional expertise of the Manulife Portfolios Solution Group and Manulife Investment Management Services, your portfolios receive the same investment management methodology that Manulife uses to manage its own investment portfolio.

With both Manulife Asset Management and leading third party firms from around the globe, we have a number of partnerships exclusive to us. Our portfolios typically allocate outside of Canada for diversification. This tilt away from Canada is unique in the high net worth space and highlights our pension style asset allocation modelling. Institutional investors have successfully used goals-based investing for decades.

Open Architecture

At Manulife Private Wealth, we promote a truly unbiased open architecture platform by choosing select institutional managers from around the world – whether Manulife Asset Management or any number of institutional money managers from around the globe. Our investment management platform consists of Separately Managed Accounts, Institutional Pooled Funds, and Private Investments. Our primary focus is in choosing managers with a strong track record of superior returns and a demonstrated focus on risk management.

Our simple, transparent fee structure provides full access to the Manulife Private Wealth discretionary platform. All portfolios are custodied with Manulife Trust, which reduces risks and costs to you. There is no internal bias, as the same fee schedule is applied to both internal and external managers. This ensures that our investment team builds personalized portfolios that are free of conflict and maximize the likelihood of reaching your investment objectives.

A Collaborative Approach

Manulife Private Wealth looks at your entire financial situation to help define and achieve your financial goals. Your Investment Counsellor partners with Manulife Bank and a network of experts including a Tax and Estate Planning Specialist to provide an all-in-one approach.

Clients look to Manulife Private Wealth to help craft and maintain a complete wealth plan as well as to work closely with their trusted advisor to ensure we are consistently focused on meeting your needs and objectives.

Together we'll help you grow, preserve, and transition your wealth - the Manulife Private Wealth way.

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