



# Pension Plans

*(A type of defined-benefit pension plan)*

*Power Point Presentation - Revised Nov. 10, 2006*



# Executive Pension Plans

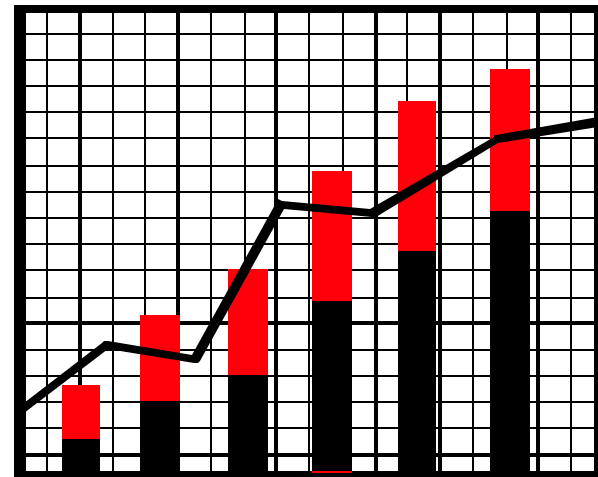


***Provides Independent, Objective Advice***

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# Advantages of EPP over an RRSP

- Higher Tax-Deductible Contributions
- Greater Asset Accumulation
- Larger pension at retirement



# Advantages of EPP over an RRSP

- Can provide bullet-proof creditor protection from personal and corporate creditors.
- Plan expenses tax-deductible by company.
- Interest on money borrowed to make contributions tax deductible to company.



# Advantages of EPP over an RRSP

- Top-up funding if deficient investment earnings.
- Past service funding provides significant tax deductions.



# Advantages of EPP over an RRSP

- Plan can be wound up and transferred to locked-in RRSP.
- Terminal Funding option provides tax deductions at retirement.



# Advantages

- **EXAMPLES:**
- Additional features can be added at retirement.
- Full cost of living.
- Enhanced early retirement benefits which results in an additional corporate tax deductible contribution.



# Advantages

- **Additional tax deductions may be possible upon sale of business.**
- **Surplus belongs to member, not the corporation.**



# Reasons to use an EPP

- Companies which want to reduce profit, to supplement the “bonus down” strategy. (i.e. – small business tax rate)
- Higher income owner managers/executives and possibly spouses. (Should normally be 40 years of age with an annual income of approximately \$100,000)



# Reasons to use an EPP

- Someone who wants to “creditor proof” their retirement.
- To retain a key employee.



# Reasons to use an EPP

- To increase marketability of a company by drawing down retained earnings.

(additional tax deductions may be permitted when selling a company-terminal funding).



# Our Structure Provides:

- Individual Custom Design
- Investments provided through Ten Star Financial Inc. gives you complete control. (Investments must comply with pension legislation).



# Our Structure Provides:

Plan can be designed for  
one member  
(or family).



# What's an EPP?

- A non-contributing, Defined Benefit Pension Plan (normally).

**This means only the employer contributes to the plan.**



# What's an EPP?

- **Company funds the entire cost of providing pension benefits.**
- **The expenses of running the plan are tax deductible .**
- **Contributions and fees not included in individual's income.**



# Defined Benefit Limit

<b>Normal Retirement Age</b>	<b>65</b>
<b>Normal form of Pension</b>	<b>Joint Last survivor, 1/3 reduction, guaranteed 5 years.</b>
<b>Vesting</b>	<b>Immediate</b>
<b>Surplus</b>	<b>Member owns any surplus.</b>

# Advantages

- **May qualify for a tax deductible past service contribution.**
- **This may be funded in the first year or over time.**



**The EPP / RRSP comparisons\* shown on the following slides reflect are based on the following assumptions:**

- **7.5% interest is credited to beginning balance and half year interest on contributions**
- **Qualifies for past service from 1991, with maximum EPP earnings in each of those years (approx. \$106,000 in 2006 dollars).**



# EXAMPLE ONE



# Example #1

## Male 40, EPP Contribution Summary Report

### Past Service Contributions

Past Service Liability	\$282,490
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RRSP Transfer	250,600
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New Past Service Contribution:	<u><u>\$31,890</u></u>
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# Example #1

## Male 40, EPP Contribution Summary Report

### Current Service Contributions

2006	\$19,526
2007	\$20,991
2008	\$22,565



# Example #1

## Male 40, EPP Contribution Summary Report

### Maximum 2006 Contributions

Current Service Contributions	\$19,526
Past Service Contributions	<u>\$31,890</u>
<b>Total Tax Deductible:</b>	<u><u>\$51,416</u></u>
<b>PLUS Transferred funds:</b>	\$250,600



## Total Year Ending Balance:

<b>Year</b>	<b>Age</b>	<b>EPP with RRSP</b>	<b>RRSP without EPP</b>
<b>2006</b>	<b>40</b>	<b>329,400</b>	<b>288,100</b>
<b>2016</b>	<b>50</b>	<b>1,105,100</b>	<b>937,700</b>
<b>2026</b>	<b>60</b>	<b>3,146,300</b>	<b>2,518,000</b>
<b>2031</b>	<b>65</b>	<b>5,137,900</b>	<b>3,979,600</b>



# EXAMPLE TWO



# Example #2

## Male 50, EPP Contribution Summary Report

### Past Service Contributions

Past Service Liability \$340,884

RRSP Transfer 250,600

New Past Service Contribution: \$90,284



# Example #2

## Male 50, EPP Contribution Summary Report

### Current Service Contributions

<b>2006</b>	<b>\$23,562</b>
<b>2007</b>	<b>\$25,330</b>
<b>2008</b>	<b>\$27,229</b>



# Example #2

## Male 50, EPP Contribution Summary Report

### Maximum 2006 Contributions

Current Service Contributions \$ 23,562

Past Service Contributions \$ 90,284

**Total Tax Deductible:** \$113,846

**PLUS Transferred funds:** \$250,600



## Total Year Ending Balance:

<b>Year</b>	<b>Age</b>	<b>EPP with RRSP</b>	<b>RRSP without EPP</b>
<b>2006</b>	<b>50</b>	<b>394,200</b>	<b>288,100</b>
<b>2016</b>	<b>60</b>	<b>1,324,700</b>	<b>937,700</b>
<b>2021</b>	<b>65</b>	<b>2,266,800</b>	<b>1,559,600</b>



# EXAMPLE THREE



# Example #3

## Male 60, EPP Contribution Summary Report

### Past Service Contributions

Past Service Liability	\$411,267
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RRSP Transfer	250,600
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<b>New Past Service Contribution:</b>	<b><u>\$160,667</u></b>
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# Example #3

## Male 60, EPP Contribution Summary Report

### Current Service Contributions

<b>2006</b>	<b>\$28,427</b>
<b>2007</b>	<b>\$30,559</b>
<b>2008</b>	<b>\$32,851</b>



# Example #3

## Male 60, EPP Contribution Summary Report

### Maximum 2006 Contributions

Current Service Contributions \$ 28,427

Past Service Contributions \$160,667

**Total Tax Deductible:** \$189,094

PLUS Transferred funds: \$250,600



## Total Year Ending Balance:

<b>Year</b>	<b>Age</b>	<b>EPP with RRSP</b>	<b>RRSP without EPP</b>
<b>2006</b>	<b>60</b>	<b>472,200</b>	<b>288,100</b>
<b>2011</b>	<b>65</b>	<b>893,100</b>	<b>539,400</b>



# Services Provided by Ten Star Actuarial

- **All documents submitted to CRA and the Provincial Pension Regulator for approval.**
- **All documents unique for each client.**



# Services Provided by Ten Star Actuarial

## The Main Documents

1. Application for Registration
2. Plan Text
3. Trust Agreement
4. Statement of Investment Policies & Procedures
5. Initial Actuarial Report



# Services Provided by Ten Star Actuarial

## ANNUAL MAINTENANCE

1. T3P Return – CRA.
  2. Financial Statements – Pension Commission & CRA
  3. Annual Information Return – Pension Commission & CRA.
- **Triennial Actuarial Valuation every 3<sup>rd</sup> year.**



# Ten Star Actuarial Services

## 2006 Actuarial Fees:

	<b>First Year</b>	<b>Annual Fees</b>
<b>Member, No Past Service</b>	<b>\$1,800</b>	<b>\$818</b>
<b>Member with Past Service</b>	<b>\$2,000</b>	<b>\$818</b>
<b>or Each Additional Member</b>	<b>\$500</b>	<b>\$0</b>

**\*Fees will Increase with CPI**

**\*Contact your Ten Star Rep for a FREE quotation**

- **Your Ten Star Financial Inc. Mutual Fund representative will assist you in designing your custom investment portfolio.**
- **Choice of Mutual Funds, GIC's or Term Deposits.**
- **Portfolio can be changed at anytime.**

