Retirement Plan Options
AVAILABLE TO ORGANIZATIONS

The "vehicle" to provide the retirement programs is legislated by different governments. The common Group Retirement vehicles are:

- **Group RRSP**
- **DPSP**
- **Registered Pension Plan** (RPP)

All three are set up as defined contribution programs where the contributions going into the plan are defined and the benefit at retirement is determined by: Time & Rate of Return.

Plan Design of a Retirement program can be customized to suit the corporate philosophy of the company and the budget.

Without an employer offering a Group Savings Plan, many employees will delay investing for the future in favour of managing short-term financial obligations.

PEOPLE LOVE PROFIT

We all work hard to enrich our lives and those of our families. By implementing a tax effective Group Retirement Saving Plan, you are providing employees with the tools and support required to build the future they imagine.

A formal at-work program offering employees the opportunity to save for retirement is the most cost-efficient method of saying thank you.

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DEFERRED PROFIT SHARING PLANS (DPSP)

L.S. SMITH & ASSOCIATES

For the most part, employees:

- are proud of their jobs and of the place that they work at. Otherwise they would seek new employment opportunities.
- love to be recognized for a good job and their contribution to the success of an organization.
- are not saving enough money for their retirement. People are living pay cheque to pay cheque.

A 4% contribution into a retirement plan from corporate profits is more exciting than receiving a $.57 per hour raise. Yet both equal the same cost for an employer. (Based on a salary of $30,000). Once a pay raise has been given the base for all benefits has increased.

Government agencies make a lot of money on pay increases through the added CPP, E.I. & WCB charges.

A $1.00 pay increase reflects:
- $1.10 to the employer (E.I, CPP, WCB)
- $0.65 received to the employee after E.I, CPP and taxes are calculated.
- Therefore the Government earns 40% more on every dollar of pay increase.

A year-end bonus is nice to receive but:

- is spent within a few months.
- rarely are these bonuses placed in a retirement vehicle.
- is cashed right away.
- has no two year vesting protection for the employer.
- is expensive for an employer to provide and sets a tone that each year a bonus will be given.
- each year you have to communicate why so much or why so little.

A Deferred Profit Sharing Plan contribution is:

- not cashable until retirement, termination or death of the member.
- not vested to the employee until after two years of plan membership (a refundable raise effect).
- very attractive for an employee, as they are now receiving some of the "profit" that they work so hard to produce.
- not subject to the annual opening of the corporate books to prove or disprove the level of profitability.
- easily placed into a monthly/biweekly budget.
- a huge assistance or start to an employee's future savings program.

Deferred Profit Sharing Plans

are usually tied to an employee's contribution to their own RRSP. An employee contributing $100 per month will have $100 matched. This 100% rate of return is a *very positive retention tool and very attractive for new hires.*

The level of contribution can really make a difference for an employee. Contributions start at 1% and can go up to the CRA maximum. By setting up a plan where the employer matches employee contributions, everyone wins, and the perception of the employer investing in their people is intensified.

To impact an employee's retirement value, a minimum 4% employer contribution matched by the employee is recommended.