

Employee Retirement Benefits Comparative Chart

DC Pension Plans (DC RPP)	Group R.R.S.P.s	DPSPs
<ul style="list-style-type: none"> Require Minimum Contributions on behalf of the employer (usually 1% of salary) Covered under Revenue Canada and specific pension legislation depending upon jurisdiction Use vesting rules (vary according to jurisdiction) to ensure that employer contributions vest with the employee (become the property of the employee's) after a certain period, regardless of employment or plan status. Use Locking-in rules (vary according to jurisdiction) to ensure that the employee cannot withdraw funds prior to retirement Are completely transferable for terminating employees however locking rules continue to apply All Employees & Owners can participate Maximum annual contribution per employee of 18% of current earnings to maximum of \$13,500 	<ul style="list-style-type: none"> Do not actually allow for employer contributions – to contribute employer must technically gross up salary and deposit into Group R.R.S.P. account Covered under Revenue Canada legislation Do not have vesting rules. All contributions are the immediate property of the employee Do not have locking in rules. Funds can be cashed in at any time (taxed in the year withdrawn). Some employers request employees to sign vesting/locking in agreements as a condition of participation. These are not typically enforceable – particularly after termination All Employees & Owners can participate Maximum annual contribution of 18% of prior years earnings to a maximum of \$13,500 plus unused room carried forward less pension contributions (PA) in prior year 	<ul style="list-style-type: none"> Do not allow for employee contributions – Employer contributes based upon pre-determined formula referencing in-year or undistributed previous profits Covered under Revenue Canada legislation Contributions vest with employee after 2 years of plan membership Do not have locking in rules. Funds can be cashed in at any time (taxed in the year withdrawn). Some employers request employees to sign locking in agreements as a condition of participation. These are not typically enforceable – particularly after termination Employers, Partners, and Shareholders owning more than 10% of shares are not eligible to participate Maximum annual contribution per employee of 18% of current earnings to maximum of \$6,750. If plan sponsor has RPP the combination cannot exceed the RPP max – ie. 18% to a maximum of \$13,500
<p style="text-align: center;">Advantages of DC RPP</p>	<p style="text-align: center;">Advantages of Group R.R.S.P.s</p>	<p style="text-align: center;">Advantages of D.P.S.P.s</p>
<ul style="list-style-type: none"> Locking-in and Vesting rules help to ensure that the employee has a retirement income Employer contributions go straight into the pension plan prior to incurring payroll taxes or additional required contributions such as U.I.C and C.P.P.. 	<ul style="list-style-type: none"> Easy to administer More flexible than DC Pension plans, allowing withdrawals for emergencies, university expenses, home purchasing, .etc. Somewhat greater flexibility at retirement (R.R.I.F. as opposed to L.I.F) Spousal income splitting strategies can be applied 	<ul style="list-style-type: none"> More flexible than DC Pension plans, can allow withdrawals for emergencies, university expenses, home purchasing, .etc. Somewhat greater flexibility at retirement (R.R.I.F. as opposed to L.I.F) Employer contributions go straight into the plan prior to incurring payroll taxes or additional required contributions such as E.I. and C.P.P..

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Disadvantages of DC RPP	Disadvantages of Group R.R.S.P.s	Disadvantages of D.P.S.P.s
<ul style="list-style-type: none"> • Require a somewhat higher level of reporting to Revenue Canada and Provincial bodies (although many carriers will handle preparation of all necessary documents and filings) • Less flexible both during contribution and retirement years • Spousal income splitting strategies cannot be applied 	<ul style="list-style-type: none"> • Employer contributions can cost more due to additional payroll costs • Employees can technically withdraw the employer contribution at any time leaving themselves short funded for retirement (perhaps looking to the employer at that time) 	<ul style="list-style-type: none"> • Trust requirements can add complexity and cause institutions to place high minimum cash flow requirements on such plans • Employees can technically withdraw the employer contribution at any time leaving themselves short funded for retirement (plans can be established so that ee's cannot withdraw while employed) • Employees cannot contribute to plan • Less employer contribution flexibility – while the plan is active Employer is bound to make contributions according to contribution formula • Spousal income splitting strategies cannot be applied