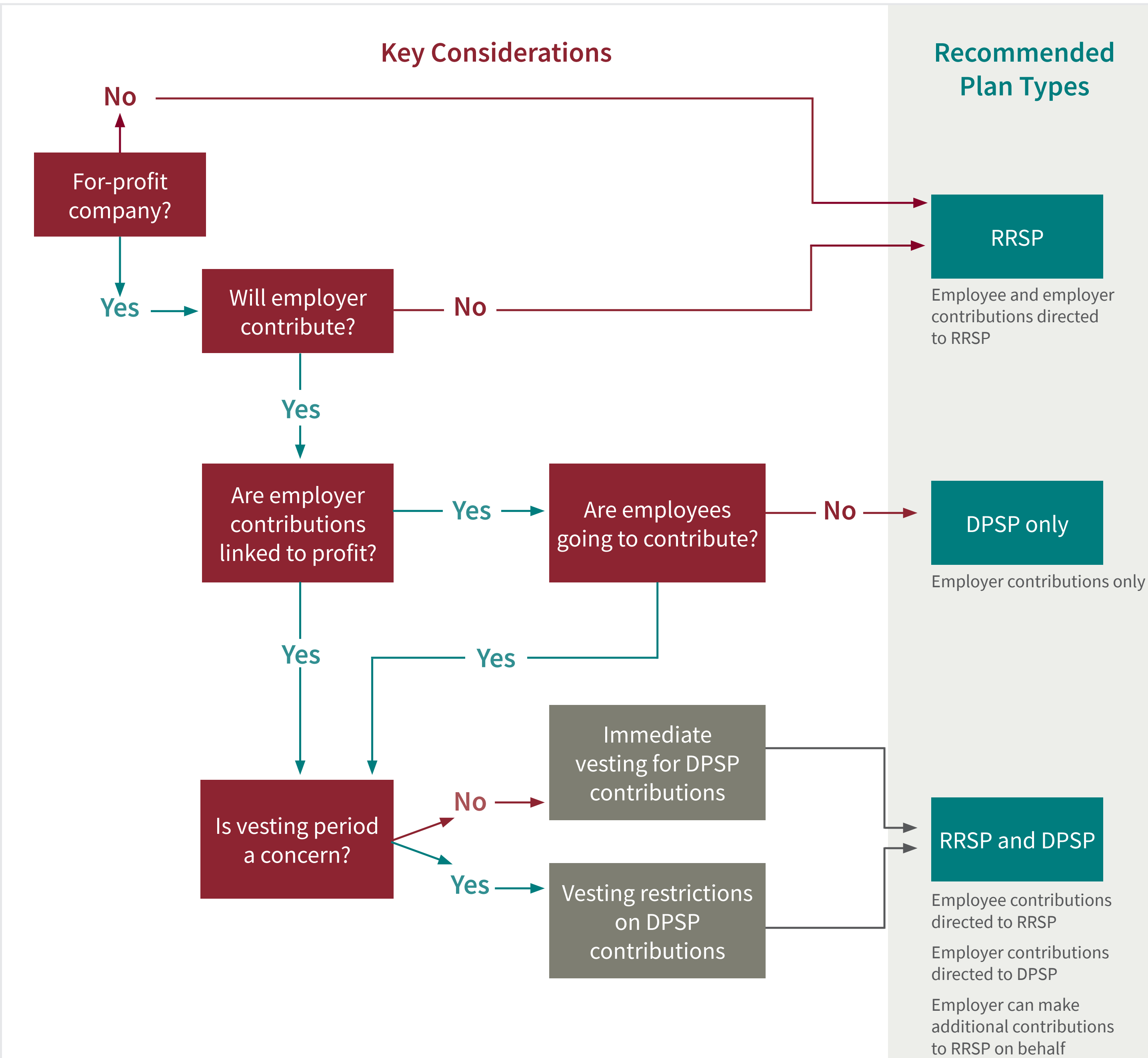
Choosing the right Performers plan

Selecting the right group retirement and savings plan is key to answering your client's needs. The following chart can help you choose the right plan type.



A TFSA can be added when an RRSP and/or DPSP are being offered.

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Performers primary group plans

	Registered retirement savings plan (RRSP)	Deferred profit sharing plan (DPSP)
Overview	• Contributions and investment earnings accumulate on a tax-deferred basis • Encourages members to save for retirement • Members benefit from volume purchasing power compared to an individual RRSP	• Contributions and investment earnings accumulate on a tax- deferred basis • Shares company profits with members • Can be set up in conjunction with a group RRSP
Plan requirements	• Profit, non-profit, union groups and associations are eligible	• Must be a for-profit corporation • Contributions must be made from profits or retained earnings
Eligibility	• Sponsor has complete flexibility • No restrictions on eligibility	• Sponsor has complete flexibility • Significant shareholders and related persons (connected persons) aren't eligible to join
Sponsor contributions	• Sponsor/member contributions permitted, up to the Canada Revenue Agency (CRA) maximum • Sponsor contributions are deductible as a salary expense but must be treated as taxable income on member T4s • Contributions can be random or scheduled • Considered taxable income and applicable payroll taxes are calculated	• Sponsor contributions only, up to annual CRA DPSP limit • Deductible expense • No restrictions on timing of sponsor deposits, except at year end • Contribution formula can be tied directly to company's profits • Sponsor contributions aren't taxable income for the member, and don't attract payroll taxes
Member contributions	• All contributions are subject to the CRA maximum • Contributions by scheduled payroll deductions, online banking or lump-sum deposits • Member can deduct from taxable income	• No member contributions allowed – RRSP plan can be offered in addition to the DPSP to allow member contributions
Locked-in contributions	• Not locked in	• Not locked in
Spousal contributions	• Allowed	• Not allowed
At retirement, death or termination	• All contributions and investment earnings can be converted to cash or another registered plan (RRIF or RRSP) • At death, payment options available are dependent on beneficiary • No guarantee – retirement income depends on contributions and investment earnings	• All contributions and investment earnings can be converted to cash or another registered plan (RRIF or RRSP) • At death, payment options available are dependent on beneficiary • No guarantee – retirement income depends on contributions and investment earnings

	Registered retirement savings plan (RRSP)	Deferred profit sharing plan (DPSP)
In-service withdrawal	• Can be restricted	• Can be restricted
Government regulations	• Not subject to pension laws, but the Income Tax Act applies • Capital accumulation plan (CAP) guidelines apply • Sponsor has full flexibility to determine participation requirements and contribution amounts	• Not subject to pension laws, but the Income Tax Act applies • Capital accumulation plan (CAP) guidelines apply • Some eligibility and plan rule requirements are determined by the CRA
Government reporting	• Sponsor contributions must be included as income on T4 • None – service provider issues tax receipts to members	• Sponsor contributions must be added to T4 as a pension adjustment • Limited reporting to the CRA
Vesting	• Immediate	• Up to two years of plan membership
Administrative requirements	• Sponsor facilitates payroll deductions, applicable sponsor contributions and remits to service provider • Authorizes member participation	• Sponsor calculates payment for each member and remits according to plan rules • Authorizes member participation
Advantages	• Not subject to pension legislation • Sponsor has flexibility for tailoring plan rules • Members prefer funds that aren't locked-in upon termination • Maximum flexibility for the payout of plan proceeds (i.e., cash, transfer to another RRSP or RRIF, term annuity or life annuity) • Spousal accounts are available to assist couples with splitting their retirement income	• Not subject to pension legislation • Sponsor retains considerable control • Sponsor contributions are tied to company profitability for added incentive • Sponsor contributions aren't considered additional salary and aren't subject to payroll taxes (net savings for the company) • Maximum flexibility for the payout of plan proceeds (i.e., cash, transfer to another RRSP or RRIF, term annuity or life annuity)
Considerations	• Member doesn't have to use accumulated value for retirement income • No requirements for part-time employees • All sponsor contributions vest immediately with the member	• Member doesn't have to use accumulated value for retirement income • No requirements for part-time employees • If sponsor doesn't contribute because of lack of profitability, it may impact member morale

Performers supplemental group plan

(available only with a Performers primary group plan)

	Tax-free savings account (TFSA)
Overview	• A registered flexible investment savings account that allows contributions and investment earnings to accumulate on a tax-free basis
Eligibility	• Canadian residents age 18 or older • Must have filed an income tax return in Canada
Sponsor contributions	• Sponsor/member contributions permitted, up to the Canada Revenue Agency (CRA) maximum • Contributions can be random or scheduled • Deemed taxable income – any applicable payroll taxes are calculated including CPP, EI, WCB, provincial health taxes, etc.
Member contributions	• Contributions aren't tax deductible • Contributions may be voluntary and can be scheduled or lump-sum, up to the Canada Revenue Agency (CRA) maximum • Uses after-tax dollars
Contribution limits	• The annual contribution limit is indexed and isn't based on earnings. The Canada Revenue Agency (CRA) announces the limit before the start of each year. • Unused contribution room may be carried forward
Locked-in contributions	• Not locked in
Spousal contributions	• Not allowed
At retirement, death or termination	• Assets can be used for any purpose
In-service withdrawal	• Can't be restricted by the sponsor • Complete flexibility – assets can be cashed in or transferred to a registered retirement plan, as a new contribution, up to maximum CRA contribution limit • Amount withdrawn is added to the member's contribution room for the following year
Government reporting	• No government reporting required by sponsor (service provider sends files to the CRA)
Vesting	• Immediate – member owns all assets in the account when they leave the sponsor

	Tax-free savings account (TFSA)
Taxes	• Withdrawals and income earned within the TFSA aren't subject to taxes
Advantages	• Tax-efficient account for short-term or long-term savings with the benefits of a group plan • Withdrawals aren't subject to tax • Investment income, losses and capital gains aren't included in taxable income • No maturity age
Considerations	• In-service withdrawals can't be restricted by the sponsor and assets can be used for any purpose by the member

For information purposes only. While the material is believed to be true as of July 2020, it isn't intended to provide individual or business tax advice. It doesn't represent a full description of all applicable legislation, which varies by jurisdiction and is subject to change. Plan sponsors may impose restrictions on their plans. For legal or tax advice, always check with an expert.

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