

Alberta Doctors' Digest

Sponsored article: Medicus or an individual pension plan?

Unlike your peers in other professions, most physicians in Canada do not have private pension plans. As a result, physicians must adopt other options to save for retirement, such as the individual pension plan (IPP), RRSPs or the Medicus Pension Plan™.

We've put together a comparison of two of these retirement savings options – IPP and Medicus – to help you decide which might be the best fit for you.

What are the similarities?

An IPP is a defined benefit pension plan for one person. With an IPP, only the employer contributes to the plan for the employee. If you own a medical professional corporation, your corporation (as the employer) would make the contributions for you (as the employee).

Established by MD Financial Management and Scotiabank, the Medicus Pension Plan is a new multi-employer pension plan designed specifically for incorporated physicians in Canada to provide them with predictable lifetime retirement income.

Medicus and IPP are both considered registered pension plans under the *Income Tax Act*, which means they are retirement income strategies for incorporated physicians. Both generally target the maximum allowable benefit, and both are paid for by the corporation instead of the individual — based upon compensation paid as salary (since dividends do not create qualifying income).



Medicus or an individual pension plan?

What about the differences?

The plans have some fundamentals in common, but there are also fundamental differences. While Medicus focuses on enhancing the security of your retirement income as an incorporated physician, IPPs usually focus on maximizing tax sheltering.

Medicus enhances retirement security by focusing on collective pooling of resources among participating plan members to manage longevity risk. In other words, it addresses the issue of unknown life expectancy. Medicus also uses a centralized investment management process as its primary means of funding benefits. The combination of long-term perspective from pooled resources with economies of scale is expected to provide more secure retirement income benefits.

An IPP works differently. Generally, an IPP uses additional tax-deductible contributions made by the corporation in conjunction with conservative management of the IPP investments. For physicians between roughly ages 45 and 65, an IPP typically permits greater contributions than Medicus would. It is an individual pension, not a collective one, so it does not inherently manage longevity risk. Investments in an IPP are individually managed, which tends to result in higher costs in terms of time and fees.

The bottom line

Medicus and an IPP are generally mutually exclusive options. So which is better for you? That can depend on whether your focus is on secure retirement income or if you are more focused on current tax management. An MD Advisor* can discuss your options with you and help you choose the better one for your individual situation.

If you'd like to talk, contact MD Financial Consultant Colton Schmidt at colton.schmidt@md.ca.

This article contains a high level summary of the Medicus Pension Plan. It is not a legal document and the information provided has been simplified. It is not intended as advice. It is based on the current terms of the Plan text, the Plan funding policy and the Plan trust agreement (the "Plan Documents"), which are subject to change. If there are any discrepancies between this summary and the Plan Documents, the terms of the Plan Documents will prevail in all cases. This summary reflects the Plan Documents in effect as of December 1, 2022.

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To determine if the Medicus Pension Plan is appropriate for your retirement planning needs and retirement income objectives, please consult with a financial advisor.

Please note that at this time, physicians incorporated or whose primary place of employment is in Saskatchewan, Manitoba, New Brunswick, Newfoundland and Labrador and Quebec are not eligible to join the Medicus Pension Plan.

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