Johnstone's BENEFITS

THE JOURNAL

solid group plans made simple

GROUP PLANS FOR RETIREMENT AND SAVINGS

For employers who want to **attract** the “right” employees, and then **keep (or retain)** the “right” employees, the “right” design of their organization’s total compensation package is critical! Not just salary and wages, total compensation includes other components such as bonus structure, benefit plans, vacation and holidays, perquisites, as well as retirement and savings plans. There are a number of such plan options available in the group insurance market, including Group RRSPs, Group TFSAs and pension plans.

At Johnstone’s Benefits, we help employers determine what retirement or savings plan would best align to your organization, based on employee demographics, turnover rates, your industry comparators, to name just a few considerations.

Group RRSPs

A Group RRSP is a common employer-sponsored retirement savings plan provided to specific classes or divisions of employees, typically on an optional basis. Typical advantages over individual RRSPs include:

- Lower management expense ratios (MERs) – these result in higher net rates of return.
- Fees – employers absorb the set up fees; employees typically are not charged any fees to change investment options or close their account.
- Contributions are flexible – in group plans, there is typically no minimum contributions, employees can contribute lump sums – which is a great option to reduce tax upon receipt of a bonus or overtime pay – and employees can usually change their amount of contribution at any time.

THE JOHNSTONE’S ADVANTAGE

Our mission is simple: **Treat each client as if they were our only client**.

Our value is clear: **We are completely independent**. We work for you and offer total flexibility on insurers and plans.

We offer all your group insurance services including administration, brokerage, consulting, and communications.

We provide dedicated client support, customization and flexibility to meet all of your company’s benefits needs. And we make **solid group plans simple**.

Group RRSPs (continued)

- Contributions by employer – the amount of matching contribution, typically as a percentage of salary, is key as part of the total compensation strategy.
- Professional services – quality services and professional messaging, regardless of the investment amount.
- Payroll deductions – it's tax effective for employees to make regular contributions, and is a simple strategy in reducing market risk.
- Professional services – quality services and professional messaging, regardless of the investment amount.

Group TFSAs

If an employer is looking to provide an additional or alternate opportunity for retirement savings, a Group Tax Free Savings Account (TFSA) may be the perfect answer! By setting up a Group TFSA, the employees get many of the same benefits as a Group RRSP, such as group purchasing power, lower MERs, and a range of quality investment products.

One of the primary differences between RRSPs and TFSAs is the tax treatment. Employees get tax relief in the tax year of their contribution to an RRSP. With a TFSA, employees don't pay taxes on money they withdraw. A Group TFSA is geared for retirement savings, but can be withdrawn at any time without loss of contribution room in future years. As well, TFSA funds are not considered income, therefore they do not affect government retirement benefits like Old Age Security.

Pension Plans

Defined Benefit (DB) or Defined Contribution (DC) pension plans are often a part of the organization's total compensation arrangements for large, unionized, and/or specific industry employers. But they can often be seen as too expensive for smaller, or not-for-profit companies, who opt instead for Group RRSPs or TFSAs.

However, a less expensive option for owners or senior managers may be an Individual Pension Plan (IPP). IPPs allow the use of pre-tax corporate income and transfers of personal RRSP funds to help catch up with retirement savings.

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JOHNSTONE'S JOURNAL is published monthly and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies and share with your employees.