3P Financial: Physicians Helping Physicians

Almost everyone finds retirement planning extremely confusing. Pension terminology seems arcane and some of the more advanced products (such as Retirement Compensation Agreements aka “RCAs”) downright intimidating. Don’t feel bad--it took the 3P team months to get our heads around the details.

We thought it might be helpful to lay out a case in a narrative timeline. Hopefully, this will give you a sense of context for your own situation.

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1. Gather your T4s: this is the trickiest part for most potential pension subscribers. CRA needs to know what T4 income (salary) you earned in 1990 and then all the T4 income you have ever earned since you first incorporated. T4 income is the salary your employer pays you (but not dividends!). In the case of most incorporated physicians, your employer is your corporation and you are the employee. Your T4’s can be obtained from several sources:
    a. Your accountant’s records
    b. Your own records
    c. CRA: by calling and requesting paper records (this can take months and is NOT recommended!)
    d. Accessing your on-line account at Canada.ca[1] (this is by far the fastest and most reliable method - most accounting firms also have access online)
2. Get a projection: our administrator, INTEGRIS, will provide a free actuarial projection of your own situation. Until you decide to commit to a pension, your contact information and identity will not be disclosed to any third party.
3. Consult your accountant/advisor: unfortunately, many accountants and advisors are not familiar with pension mechanics. Both 3P and the administrator can answer questions your accountant may have. It may be cost-effective to arrange for a detailed customized spreadsheet model of your specific situation. 3P can provide this for $300/corporation. This should reduce the time your accountant would potentially spend analyzing the situation and more than pay for itself.
4. Choose an investment manager: if you have a financial advisor, he/she will take care of this along with all the other paperwork associated with on-boarding. If you prefer to invest alongside us, we will offer an investment vehicle that we have specifically designed for long-term investors like ourselves. We call them the Osler Funds.
5. Choose a trustee: there are 2 options--corporate trustee through Industrial Alliance, a large, established insurance company for $300/year or you can appoint 3 trustees of your choice. The former is much more convenient because the trustees sign off on the pension annually.

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[1]https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html

6. Choose a custodian: your investment manager will take care of this for you. The custodian is usually a large bank and is responsible for actually holding the assets in the pension as well as account valuation.
7. On-board through the pension administrator: this is a 16 step process that will be mostly handled by 3P staff or your advisor. Because it involves correspondence with CRA, it may take as long as a month.
8. Fund the accounts: you will have 3 accounts--
   a. Defined Benefit (DB): a savings account that is designed to deliver a promise from your corporation to you (the employee) to provide a reliable stream of income from the day you retire until you die. There are several sources of funding to the DB:
      i. Your past service lump sum: this is determined by the actuary and depends on how many years you worked for your corp and the salary you were paid over that time.
      ii. Your annual contribution: at the age of 38, you can put in more into the DB than you would normally be able to into your RRSP ($26,500/year). This funding amount rises every year until the age of 64 when it peaks at just under $44k.
      iii. Your qualifying transfer (QT): this amount is also determined by the actuary and is the minimum funding amount to be transferred from your RRSP to the DB to get things going!
   b. Defined Contribution (DC): a savings account that is like your RRSP--no promise involved but it can grow as big as it whatever it gets without a penalty. On retirement, it turns into a registered retirement income fund (RRIF) which delivers a minimum payment each year (but there is no maximum withdrawal).
   c. Additional Voluntary Contribution (AVC): this is a sub-account of the DC that would receive any RRSP assets that you had above and beyond the QT amount. It also receives funds you can contribute (up to 18% salary) in years where your DB is overfunded (perhaps because of exceptional stock market returns).
9. Make special payments: the DB is supposed to grow at 7.5%/year. If it doesn't, you can top it up until your account is back on track to deliver on its promise.
10. Switch from defined benefit to defined contribution accounts: as mentioned above, if the DB is overfunded beyond the projected 7.5% return hurdle by 25% or more, you can't contribute to the DB until it comes back into line. However, you can contribute 18% of your salary to the DC account anyway (and receive a personal tax deduction!).
11. Start the exit plan: read more about this here: https://docs.google.com/document/d/1XKy5tzHyV0x9X_kRtoCChxdnLC7DlDDrNeXHj5IPUGo/edit?usp=sharing