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From a partnership to professional corp. to maximize retirement savings

By Jennifer Pritchett, Associate Editor

While many lawyers set up their law firms as traditional partnerships, INTEGRIS Pension Management Corp. founder and CEO Jean-Pierre Laporte says switching to a blended approach of using professional corporations for each of the partners while retaining an umbrella partnership would give them access to the Personal Pension Plan (PPP) and the financial advantages it offers.

"Some lawyers do not qualify for a PPP because of their partnership arrangement," he tells AdvocateDaily.com.

The PPP was created to give lawyers and other incorporated professionals access to a pension plan that is very similar to those who have a pension through government or a large corporation.

The PPP is available to lawyers, doctors, dentists, consultants and other incorporated professionals.

Laporte says a PPP can invest in ways that an RRSP cannot. The PPP, he explains, was designed to give incorporated professionals the opportunity to maximize their retirement savings by allowing investments in certain asset classes that aren't permitted with the RRSP. These asset classes include shares in private companies, direct holdings of real estate that are not through a real estate investment fund, and non-market traded stock.

Saving for retirement through a PPP holds many other advantages over an RRSP, Laporte says.

For example, there are seven new types of tax deductions inside of a PPP that aren't found inside of an RRSP:

1. Greater annual deductions ranging from $440 at age 40 to $15,000 by age 64 and beyond;
2. Terminal funding to enhance the basic pension;
3. Ability of the corporation to make tax-deductible contributions to assist in the purchase of past service;
4. Special Payments (also tax deductible) if the assets of the pension plan don't return 7.5 per cent;
5. Interest paid to lenders for contributions made for the PPP are tax deductible;
6. Investment management fees paid on any asset inside of the PPP are tax deductible; and
7. Administration, trustee and actuarial fees are tax deductible.

Laporte says it's advantageous for partners thinking about their law firm structure to consider switching to a professional corporation.

"This means the partners of the traditional law firm partnership are now professional corporations and they each carry out their work through a legal professional corporation," he says. "But from a partnership point of view, nothing has changed."Laporte says the name of the firm doesn't have to change.

“In fact the only thing that changes is, when you look at a lawyer’s bio or their contact information online, they will usually put an asterisk after their name and then they’ll say in small print, ‘Carrying on business through a legal professional corporation,’” he says.

To make the switch, the partners have to amend their partnership agreement to allow for professional corporations, Laporte notes.
“One of our very first clients at INTEGRIS was in that situation where his firm's partnership agreement did not allow for legal professional corporations. When he approached them and said, 'I want to have a PPP,' the firm as a whole had to amend the partnership agreement in order to allow him to structure his legal practice through the professional corporation. This means that other lawyers at his firm now have the ability to set up a PPP if they want," Laporte says. "He did the pioneer work for them.”

In a nutshell, lawyers who want a pension plan have to work under a professional corporation, he says.