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Physicians who are incorporated can join HOOP

(Healthcare of Ontario Pension Plan)

This is a very exciting option. It could be a major change that helps attract and retain physicians to practice in Ontario.

The key benefit of this type of plan is upon retirement the pensioner will have a defined benefit indexed plan for life. This gives one an incredible amount of security. Currently it is mainly civil servants that have access to good pension plans like this. In other words, upon retirement one will get a known amount that increases each year with inflation.

In the past some physicians would comment that they do not have access to the retirement security that say a teacher has. This could all change.

HOOP appears to be well funded, covers over 460,000 people and has assets in excess of $112 Billion. Their reports indicate more than enough funds on hand to finance future retirements.

Is this plan for you?

Indeed, many or maybe most of your financial planners may argue that if you stick with traditional RRSP investing with them, they will achieve a higher return that would give a physician higher income upon retirement. Whilst they might be correct, there is a real chance that they may be completely wrong. What they cannot do is guarantee a certain amount of monthly income, inflation protected, upon retirement until the death of the physician and partially his or her spouse. This plan tries to provide such a guarantee.

The longer a person and/or their spouse lives post-retirement, the bigger the advantage is of a defined pension plan over a RRSP. This makes the pension plan particularly attractive to people with “normal” or longer life expectancies.

One of the biggest disadvantages of a pension plan like this, is that upon death of both the doctor and their spouse, post-retirement, the plan ends and there is nothing left for other beneficiaries. (Unless the deaths occur in the first 5 years of retirements in which case the beneficiaries get some benefits).

In the first year of one joining the pension plan one likely will have both full RRSP room based on the prior year and Pension plan room. In subsequent years one would likely still have some small RRSP room.

It appears that if an incorporated doctor has full time employees, they would also go on the pension plan. Whilst this could be costly to an employer it could significantly help attract and retain top talent.

The company would have to join the Ontario Hospital Association (https://www.oha.com/) and pay a membership fee each year.

There are some other benefits such as some pension contributions being covered whilst disabled.

HOOP has prepared a good guide at:

https://view.ceros.com/hoopp/physician-e-brochure-v2-3/p/1

Suggestion

For any incorporated physician with over 5 more years of planned work should seriously consider joining HOOP.

In fact, even if one has less than 5 years of remaining working years it could make sense to BUY BACK past years of pension, using ones RRSPs to do this.

Factors to consider would be:

- What other savings and investments one has
- The life expectancy of the physician and their spouse
- Is there a possibility of having to cash in some RRSPs early for an emergency
- What is the physicians risk tolerance regarding RRSP investing. For a risk averse person, a pension plan makes even more sense
- Does one's spouse already have a good pension plan

Combining a financial plan of the HOOP pension plan and accumulating investments in the company could lead to an excellent retirement.

We are available to discuss further. Also consider speaking with the advisors at HOOP.

Gary Friedlander CPA, CA