Module 2

GOVERNMENT PENSION SOURCES

MONEY AND YOU SENIORS EDITION

Module 2

GOVERNMENT PENSION SOURCES

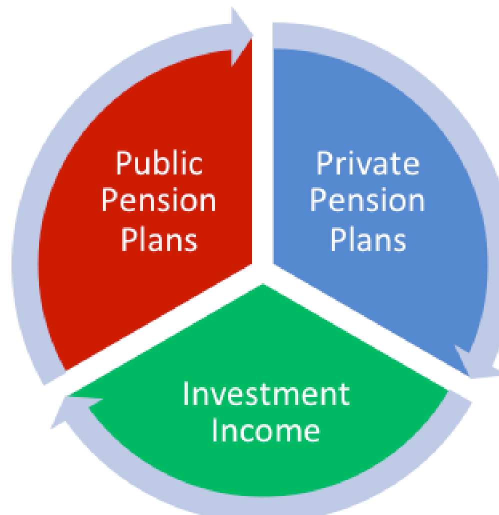
Let's Discuss…

- $ Canada Pension Plan
- $ Old Age Security and the GIS
- $ An Introduction to Retirement Income Planning
- $ Full and Part Time Work
- $ Employer Sponsored Pension Programs
- $ Registered Retirement Savings Programs

Do you remember when you first started thinking about your retirement? Chances are it was the first time your pay was docked for a statutory deduction known as the CPP or Canada Pension Plan. That has happened to every 18-year-old since the plan was established in January of 1966. However, as most people know, those savings alone will not fund a full retirement.

The public pension system in Canada in fact offers three options to seniors: This includes the Canada Pension Plan (CPP), the Old Age Security (OAS) and for low earners, a supplement to the OAS known as the Guaranteed Income Supplement or GIS. You will learn more about those plans in this module.

In addition, many seniors will draw retirement income from three savings categories:



As a result, most Canadians will have to make decisions about when to start taking income from each of these sources, and this can be somewhat complex. For these reasons, a process of retirement income planning is helpful. That subject will be covered in a separate module.

Let's begin your planning process with the options you have in drawing from income public pension plans.

The Canada Pension Plan (CPP)

The CPP is a contributory plan. That means you will only receive retirement benefits from the CPP if you contributed to it as a result of employment or self-employment. The CPP is also taxable, which means the income is reported every year on your tax return.

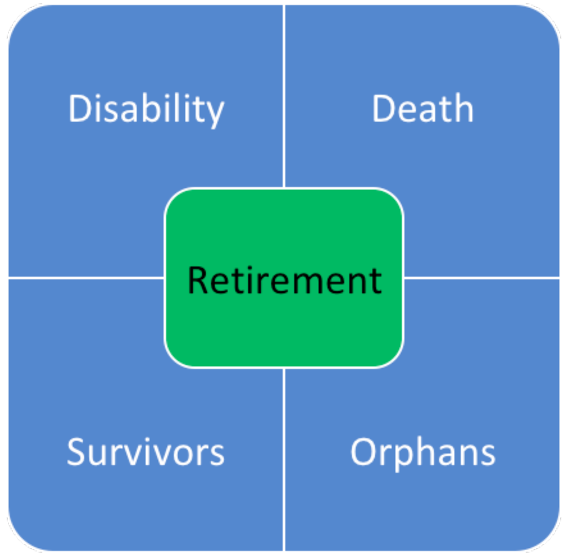
Money Tip

Half of the CPP can be assigned to a spouse as long as you and your spouse have reached the age of 60 and have both applied for your CPP pension. This can save you tax dollars.

A spouse, for tax purposes, is someone to whom you are married, or a common-law spouse (same or opposite sex) you have lived with consecutively for at least 12 months.

There are a number of different types of benefits that can be received from the CPP:

Types of CPP Benefits



How much can you receive? The maximum CPP benefits you could receive are itemized below. Your CPP benefits are indexed for inflation, and so they will change from year to year.

Maximum CPP Monthly Benefits[1] (added to 2022)

Circumstances	2019	2020	2021	2022
Maximum monthly Retirement Pension (at age 65)	$1,154.58	$1,175.83	$1,203.75	$1,253.59
Maximum Post-Retirement Benefit	$28.86	$29.40	$30.09	$36.26
Maximum monthly Disability Pension	$1,362.30	$1,387.66	$1,413.66	$1,464.83
Monthly Disabled Contributor Child Benefit	$250.27	$255.03	$257.58	$264.53
Monthly Survivor's Pension under age 65	$626.63	$638.28	$650.72	$674.79
Monthly Survivor's Pension over age 65	$692.75	$705.50	$722.25	$752.15
Monthly Orphan's Benefit	$250.27	$255.03	$257.58	$264.53
Monthly Combined Retirement (age 65) & Survivor	$1,154.78	$1,175.83	$1,203.75	$1,257.13
Monthly Combined disability & Survivor	$1,362.30	$1,387.66	$1,413.66	$1,467.04
Maximum Death Benefit	$2,500.00*	$2,500.00	$2,500.00	$2,500.00

* as of January 1, 2019, the CPP death benefit is $2,500 regardless of CPP pension entitlement

How much you ultimately receive as a CPP retirement or disability pension will depend on how much was paid into the plan. The required CPP premiums made to the plan are equally contributed by both the employer and the employee.

In the case of self-employed people, both the employer and employee portion of the premium must be remitted with the personal income tax return based on net business income (that is, income after expenses).

1 Compilation by Knowledge Bureau Inc.

Action Item

This obligation to pay both portions of the CPP premium is worth noting if your plan is to transition into retirement doing consulting or other self-employed work.

For our purposes, the definition of "self-employed" is someone who is a proprietor, not an individual earning income through an incorporated company.

How much CPP benefit will I actually receive? Few retirees receive the maximum amount of CPP benefits. There may be several reasons for this:

- You have consistently earned less than $3,500 (the basic exemption amount) in a year
- There have been gaps in your work life, for example periods of unemployment or child rearing or periods of disability, when you collected the CPP disability benefit

Your CPP Retirement benefit will take some of these life events into account with certain "drop-in" provisions:

- *The CPP child rearing drop-in provision*. An amount will be "dropped in" to the CPP retirement benefit calculation equal to the parent's average monthly earnings during the five years prior to birth or adoption of the child if that amount is higher than the actual earnings in this period.
- *The CPP disability drop-in provision*. This is a "drop-in" of 70 percent of average earnings for the six years prior to the disability in years in which the CPP disability pension benefit was received. It is possible to apply for this if there is a severe and prolonged disability. This drop in provision will increase retirement benefits for both the disabled person and their spouse, as in the case of the disability pension, the disabled person's spouse may receive a benefit as well.

Action Item

Take a look at your CPP Statement of Contributions for an estimate of what your CPP benefit might be. This statement provides your total CPP contributions for each year you contributed and your CPP contributory earnings. You may use your online printed version, or you can ask for an official version to be mailed out to you.

To speak to someone for help in your area, check out this link:

https://catalogue.servicecanada.gc.ca/content/EForms/en/ReturningtheForm/IspCpp.html

To request a copy of the statement by mail: contact

Contributor Client Services,
Canada Pension Plan
Service Canada
PO Box 818 Station Main
Winnipeg MB R3C 2N4

Or to speak to someone about this[2], have your Social Insurance Number handy and call as follows:

Canada and the United States
Toll-free: 1-800-277-9914

Canada and the United States
TTY: 1-800-255-4786
The hours of operation are 8:30 am to 4:30 pm local time, Monday to Friday.

Outside Canada and the United States:
1-613-957-1954 (Call collect)
The hours of operation are 8:30 am to 4:30 pm Eastern time, Monday to Friday.

To request a call back, you can contact eServiceCanada by completing an online form:

https://eservices.canada.ca/en/service/

2 https://www.canada.ca/en/employment-social-development/corporate/contact/cpp.html

Money Tip

Most people start their CPP retirement benefit at age 65. If you apply after age 65, you can receive retroactive payments for up to 11 months.

But there are no retroactive payments if you decide to take your CPP retirement benefit early, between the age of 60 and 65.

How soon should I take my CPP Benefit?

This decision is not simple. That's because there are several options. For example, you might choose to start receiving your benefits at age 60, 65 or 70 (or any other age after 60). Choosing to take the CPP benefit early will cost money; that is, it will reduce the pension you are entitled to. Factors to take into account:

1. **Your CPP benefit will be reduced if you start early**. In fact, the payments will decrease by 0.6% each month – that's 7.2% per year. The maximum reduction is 36% of your total possible pension if you start receiving it when you turn 60.
2. **Your CPP benefit will be larger if you wait**. Waiting can pay off handsomely. Your benefits will increase by 0.7% each month – that's 8.4% per year! If you wait until age 70, your benefits will increase by a maximum of 42%. There is,

however, no benefit to waiting beyond your 70th birthday.

3. **Do you need the money now?** If you are adequately covering your expenses and your goals, you may wish to wait in order to grow a bigger CPP pension benefit.
4. **How long will you live?** Our demise is something most of us don't like to think about, but estimating your longevity is a factor in thinking about your CPP start date.

   Let's make that easier. An assumption based on the average expected lifespan in Canada is a good place to start. At age 65, the average life expectancy is just over 20 years.

   If there is a trend of long life in your family, and you can afford to wait for the money, consider holding off to build a bigger CPP pension benefit. If you are expecting a shorter than normal lifespan, however, it may make sense to take the reduced CPP benefit sooner.
5. **Are you currently receiving a CPP survivor's benefit?** If you are a widow or widower, beware. Your survivor's benefit may be reduced or eliminated once you start taking your own CPP retirement pension. That is because the maximum CPP retirement pension applies to the total of both the survivor and retirement pensions.
6. **How will the CPP benefits affect your OAS entitlement?** Higher income earners may suffer an *OAS Recovery Tax* if annual income approaches $80,000. The recovery tax is expensive: 15% of income over this threshold. This is discussed in more detail in the next section.

Action Item

Check out the Canadian Retirement Income Calculator. According to the government, you should leave about 30 minutes in your schedule to work your way through it.

Alternatively, you may wish to ask your tax accountant for help understanding your pension start options under the CPP.

Money Tip

The current maximum pension represents approximately 25% of the current maximum pensionable earnings. This will change in the future, but the cost of contributing to the plan will also increase.

How much will you pay into the CPP? Many people work past the age of 60. One of the considerations for taking the CPP early or late is how much it costs to pay into the plan if you do continue to work. Here is some background information for you to consider.

Money Tip

For the past several years, the contributions to the CPP, and the rate at which they are calculated, have looked like this

Year	Maximum Pensionable Earnings	Basic Exemption	Contribution Rate	Maximum Employee Contribution	Maximum SE (Self Employed) Contribution
2022	$64,900	$3,500	5.70%	$3,499.80	$6,999.60
2021	$61,600	$3,500	5.45%	$3,166.45	$6,332.90
2020	$58,700	$3,500	5.25%	$2,898.00	$5,796.00
2019[3]	$57,400	$3,500	5.10%	$2,748.90	$5,497.80

3 Note that beginning in 2019, QPP rates vary from CPP rates. For 2019, the QPP rate is 5.50% resulting in a maximum employee contribution of $2,991.45 ($5,982.90 if SE); for 2020, the QPP rate is 5.7% resulting in a maximum employee contribution of $3,146.40 ($6,292.80 if SE). For 2021 the QPP rate is 5.9% resulting in a maximum employee contribution of $3,427.90 ($6,855.80 if SE). For 2022 the QPP rate is 6.15% resulting in a maximum employee contribution of $3776.10 ($7552.20 if SE)

Premiums are payable into the CPP as long as you earn over a basic exemption amount, currently $3,500. There are no premiums if you earn employment or net self-employed earnings below this threshold. At the upper end, CPP premiums are not required once you reach a maximum pensionable earnings level.

Starting in 2019, premiums payable into the CPP have gradually increased in order to increase the CPP retirement benefits available for future generations: from the current 25% of pensionable earnings to 33% of pensionable earnings.

There is a base or "original" premium rate of 4.95% paid by each of the employer and employee. But, an "additional" and an "enhanced" premium has increased the cost. In fact, there are now three layers of CPP premiums:

The additional contribution rate will increase annually over the period 2019 to 2023. Then, in 2024, another "enhanced" premium will be required on higher earnings: 4% from the employee and 4% from the employer for a total of 8%. This generally will occur when income is over $70,000.

The final premium numbers will depend on indexing. The following table shows the projected premiums to the year 2025, adjusted for known pensionable earnings for 2022 and indexing at 2.0% thereafter. Note that the self-employed earning will owe close to $8,500 if income is around $70,000.

The following table shows the projected premiums to the year 2025, adjusted for known pensionable earnings for 2022 and indexing at 2.0% thereafter.

Money Tip

On your personal tax return, the original CPP premium qualifies to be claimed as a non-refundable tax credit. The additional and enhanced amounts are claimed as a deduction.

Whether you are working or not, contributions to the CPP must end in the year you turn 70. This is also the mandatory age to start receiving benefits from the CPP.

It is possible to continue to contribute to the CPP, while working, up to the age of 70, to receive a larger pension benefit later. Two rules to consider:

- **You must contribute to the CPP if you are working between the ages of 60 and 64**
- **Contributions are optional if you are working between the ages of 65 and 70**

Year	Regular CPP Rate	Max. Pens. Earn.	Max. Reg. Premiums	Add. Pens. Earn.	Max. Pens. Earn.	Add. Rate	Add. Prem.	Total Prem.	Max. SE Prem.
2018	4.95%	$55,900	$2,593.80		$55,900	0%		$2,593.80	$5,187.60
2019	5.10%	$57,400	$2,748.90		$57,400	0%		$2,748.90	$5,497.80
2020	5.25%	$58,700	$2,898.00		$58,700	0%		$2,898.00	$5,796.00
2021	5.45%	$61,600	$3,166.45		$61,600	0%		$3,166.45	$6,332.90
2022	5.70%	$64,900	$3,499.80		$64,900	0%		$3,499.80	$6,999.60
2023	5.95%	$65,400	$3,683.05		$65,400	0%		$3,683.05	$7,366.10
2024	5.95%	$66,700	$3,760.40	$4,800	$71,500	4.00%	$192.00	$3,952.40	$7,904.80
2025	5.95%	$68,000	$3,837.75	$10,200	$78,200	4.00%	$408.00	$4,245.75	$8,491.50

Source: Knowledge Bureau, Inc.
* pensionable earnings after 2022 are estimated

As you can again see, the self-employed (SE) will contribute both portions of the total premium payable, and this is quite a substantial amount of money.

Note that if you work and are over 64 but are not receiving CPP benefits, your earnings may be used to replace periods of low earnings before 65 and thus increase your future CPP pension.

Reasons to continue to contribute also include earning a ***Post Retirement Benefit***. But there may be others reasons to opt out of paying premiums once you have reached age 65. Both are discussed below.

Earning a Post Retirement Benefit (PRB)

Working seniors who are under age 70 may also qualify to earn a Post Retirement Benefit (PBR) but only if they are also receiving their CPP retirement benefit.

The PBR is equal to the CPP retirement benefit you are entitled times the portion of the maximum pensionable earnings you earn, divided by 40. For example (using 2021 figures):

- If you are 63, your current CPP pension is $1,000 a month and you earn $15,000 through employment , you'll have to contribute $626.75[4] to CPP.
- Your pension will only increase by $4.67[5] per month.
- That means you will recover your additional contributions through your increased pension benefit in just over 11 years.

The news is worse for the self-employed: If you earn the $15,000 though self-employment, your CPP contribution would be $1,253.50 and you'll earn the same $4.67 per month post-retirement benefit. This means it will take over 22 years to recover your premiums.

Because of the length of the pay-back period, it is generally not advisable for self-employed taxpayers to contribute to CPP any longer than they have to.

Action Item

Check out how much PRB you might receive at this link:

https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-post-retirement/benefit-amount.html

4 (5.45% x $15,000 – $3500) = $626.75
5 ($15,000 – $3500)/$61,600 x $1,000/40 = $4.67

Opting Out of the CPP

Paying into the CPP while you are working will bump up your CPP retirement benefits. However, few seniors today will benefit from the increased premiums that will provide a full one-third of pensionable earnings to new generations in the future.

For these reasons, you may wish to opt out of the CPP, and use the money you would have paid into the CPP to fund other retirement vehicles, when that is possible for you.

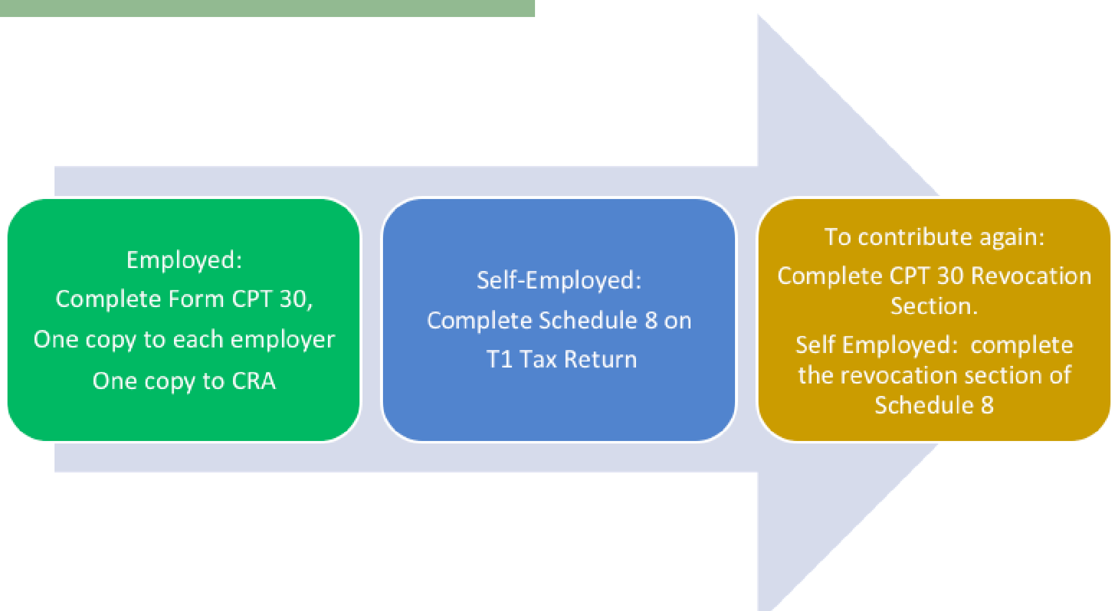
Money Tip

It bears repeating that making contributions to the CPP is not optional if you are working under the age of 65, even if you are receiving a CPP retirement benefit.

If you continue to work between the ages of 65 and 70, however, it is possible to opt out of paying the CPP premiums. How to stop contributing to the CPP in that case, will depend on whether you are employed or self-employed:

Some rules to remember:

1. **If you are under 70**, you will continue to contribute to the CPP by default, **unless you opt out.**
2. **If you are age 65-69**: you must **elect to opt out** by filing form CPT 30. You can restart the contributions later if you like as the diagram shows. If you are self-employed: opt out using Schedule 8 on the T1 Tax return.
3. Provincial benefits: Quebec has introduced enhancements to the QPP for those who continue to



work in late life; other provinces are discussing these options as well.

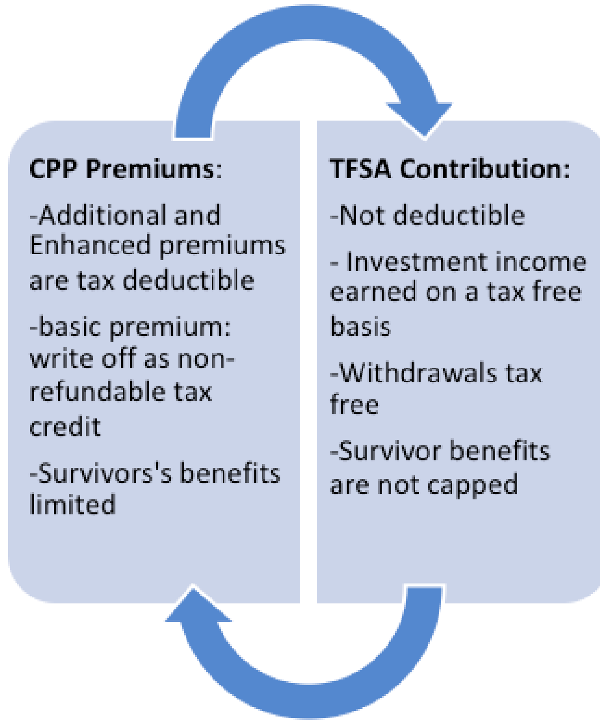
4. Most CPP contributors are not aware that while the surviving spouse will receive a CPP survivor's benefit, it is capped at the maximum retirement benefit. In other words, the survivor will only receive a top-up to their own CPP Retirement Benefit up to the annual maximum benefit.
5. As a self-employed senior, you must contribute both the employer and employee portions of the CPP premiums every year when you file your tax return. The funding of the CPP premiums will need to be put aside in addition to any taxes you will have to pay.
6. Unless you have a long life, funding extra CPP premiums in the period between 65-70 will not be recovered.

Money Tip

If you opt out, you will have additional money on hand to contribute at least the equivalent amount to your TFSA, if you have contribution room, once you reach age 65.

- **contributions to a TFSA, and earnings on them can grow into a tax-free pension**
- **the survivor's benefits are better. That is, there is no cap on the survivor's benefits at death with a TFSA like there is with the CPP. All the money you contribute will flow through to survivors.**

CPP or TFSA?



Think About It

- **If you continue to work between the ages of 65 and 70, compute the benefits of funding the CPP (a taxable pension) rather than the TFSA (a tax free source of income).**
- **Half of your CPP benefits can be assigned to your spouse to do some income splitting and reduce your taxes. Your spouse must be at least age 60 and both you and your spouse must have applied to receive the CPP pension.**
- **If you take your CPP early, it will erode the potential value of your pension; however, you may be able to make up some ground by reinvesting the benefit you receive in a TFSA to create a new tax-free benefit instead.**

The Old Age Security

The OAS is a universal benefit; that is, it is payable to all seniors who have reached at least age 65, have been a Canadian resident or legal resident at the time of application and have resided in Canada for at least 10 years since reaching age 18. The OAS Benefits are paid monthly, and they are indexed every quarter.

Here are the regular OAS benefits for the last several years:

There are important tax consequences to know about the OAS. The OAS benefit is taxable income, however, seniors age 65 and older may qualify for an offsetting non-refundable age credit when they file their tax returns.

- The 2021 Age Amount is $7,713; for the 2022 tax year this will be $7,898.
- The Age Amount will be reduced by 15% of net income over $38,893 in 2021; $39,826 in 2022
- It disappears completely when income is over $90,313 in 2021; $92,479 in 2022.

Monthly	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year Total
2019	$601.45	$601.45	$607.46	$613.53	$7,271.67
2020	$613.53	$613.53	$613.53	$614.14	$7,364.19
2021	$615.37	$618.45	$626.49	$635.26	$7,486.71
Plus one-time benefit			$500.00*		$7986.71
2022	$642.25				

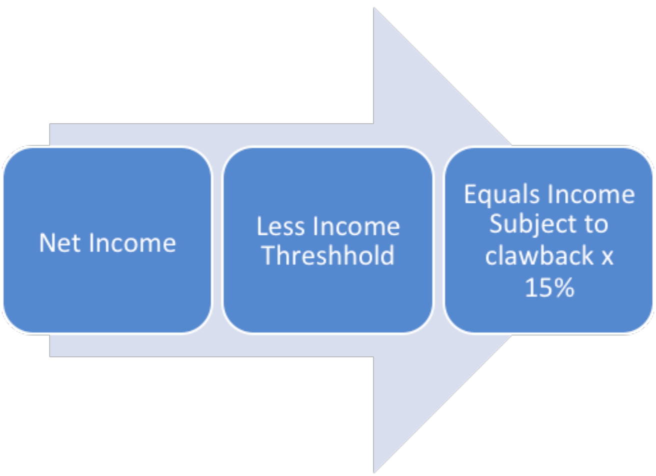
Compilation: Knowledge Bureau, Inc.

* Seniors born before July 1947 received an additional $500 payment in July 2021.

In other words, the age amount is gradually reduced as income rises.

OAS Clawback. This clawback phenomenon is true of the OAS benefit, also.

Once your net income rises to a certain income threshold level, the OAS benefit is clawed back or reduced.



Specifically, for the tax year 2021, the OAS will be clawed back when individual net income on the tax return reaches **$79,845**. The benefit is clawed back by 15% of income above that threshold until income reaches **$129,757**. At that point the OAS must be fully repaid.

In 2022 these numbers are $81,761 and an estimated $133,141 respectively.

Action Item

- **It's important to file a tax return every year in order to receive your OAS benefits. This must be done by April 30 for most individuals, but for the self-employed, the deadline is different: June 15. But, it is still wise to file by April 30, as interest will be charged if there is a balance due.**
- **It is also important to note that the OAS benefit year is July 1 to June 30. If you are subject to an OAS repayment, your OAS benefits will also be reduced for the next benefit year by the amount of the repayment divided by 12.**
- **The reduction of your benefits is known as the OAS Recovery Tax. You will see that on the tax slip you will receive next year from the CRA. However, this tax can be claimed on your tax return as a credit against other taxes payable next year.**
- **Finally, pay attention to your income levels as you withdraw money or receive income from various sources. For seniors, significant changes in income levels can result in "clawbacks" of various social benefits available as well as tax credits.**
- **Income and credits that may be impacted by the size of your net income include the following:**
  - **Old Age Security**
  - **Guaranteed Income Supplement**
  - **The Refundable GST/HST Credit**
  - **The Non-refundable Age Credit, Medical Expense Credit and Donations Credit**

Money Tip

The clawback that is calculated for repayment is used as a deduction on the tax return, the repayment amount is also added to your total amount due for the year.

This requirement for repayment is often a surprise to seniors who may have had an unusual receipt of income in the year such as:

- Sale of a rental property or business interest
- Capital gains on the sale of investments

Be sure to do an income estimation before big sums of income are realized in any tax year. You may lose some or all of your OAS in that case. In addition, CRA may contact you to start remitting quarterly tax instalments. It may be possible to reduce those payments if you can show your income will be back to normal again in the year after these unusual receipts

Delaying the OAS. Sometimes it can make sense to delay the start of the OAS. This will depend on the availability of other income sources and will generally be of interest to higher income earners who may be affected by the OAS clawback. A significant increase in your benefits can result when you start the OAS up later:

- For each month that the taxpayer delays the start of their OAS pension, the amount will be increased by 0.6%.
- By delaying to age 70 (60 months), the OAS pension will be increased by 36%.

Example: The OAS benefit is approximately $7,500 now, when Marta is 65. She decides to push back the start of the OAS to age 70. She can expect approximately $10,200 annually instead, at that time.

Money Tip

Seniors over age 75 will begin receiving 10% more as of July 2022.
Also note, that it is possible to defer your OAS benefits to Age 70.
In that case, your benefits will increase; see chart below:

Old Age Security Payments (if deferred to age 70 and born after June 1947)

Monthly	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year Total
2018	$797.86	$801.84	$811.47	$817.16	$9,684.98
2019	$817.97	$817.97	$826.15	$834.40	$9,889.47
2020	$834.40	$834.40	$834.40	$835.23	$10,015.30
2021	$836.90	$841.09	$852.03	$863.95	$10,151.30
2022	$873.46				

Compilation: Knowledge Bureau, Inc.

The Guaranteed Income Supplement (GIS)

Low-income seniors can also receive a supplement to their OAS benefits. This GIS is based on your net income on your income tax return for the prior year, net of OAS and GIS benefits in that year. For example, from **October to December 2021:**

To find out exactly what you will be entitled to the federal government provides these tables:

https://www.canada.ca/content/dam/canada/employment-social-development/migration/documents/assets/portfolio/docs/en/cpp/oas/sv-oas-oct-dec-2021.pdf

The maximum amounts of recent GIS payments are summarized below:

Scenario	Maximum monthly payment	Annual income must be
Single, widowed, or divorced	$948.82	Less than $19,248
Spouse/common-law partner receives the full OAS pension	$571.15	Less than $25,440
Spouse/common-law partner does not receive an OAS pension	$948.82	Less than $46,128
Spouse/common-law partner receives the GIS Allowance	$571.15	Less than $46,128

While the GIS is effectively non-taxable (it qualifies for a deduction before taxable income is calculated), the GIS is added to income on the tax return for the purposes of increasing net income. This may impact (reduce) other tax credits available.

Guaranteed Income Supplement Benefit Payments 2021

Circumstances	2021 1st Qtr	2021 2nd Qtr	2021 3th Qtr	2021 4th Qtr	2021 Total	2022 1st Qtr
Single	$919.12	$923.71	$935.72	$948.82	$11,182.11	$959.26
Married to Non-Pensioner	$919.12	$923.71	$935.72	$948.82	$11,182.11	$959.26
Married to a Pensioner	$553.28	$556.04	$563.27	$571.15	$6,731.22	$577.43
Spouse of Allowance Recipient	$553.28	$556.04	$563.27	$571.15	$6,731.22	$577.43
Regular Allowance	$1,168.65	$1,179.49	$1,189.76	$1,206.41	$14,232.93	$1,219.68
Survivor's Allowance	$1,393.08	$1,400.05	$1,418.25	$1,438.11	$16,948.47	$1,453.93

Compilation: Knowledge Bureau

Money Tip

- It is possible to receive the full GIS if there is up to $5,000 in earnings from employment or self-employment. The next $10,000 of such income will reduce the GIS by 50% of income between $5,000 and $10,000.
- Seniors born before July 1, 1947, received an additional $500 OAS bonus payment the summer of 2021. This amount is taxable and will increase the seniors' tax bill for 2021.
- Seniors over age 75 will begin receiving 10% more OAS benefits as of July 2022.

As a result of these changes, higher-income seniors may see an increase in their OAS claw-back starting in July 2022. This is because the additional $500 increases net income (the figure used to calculate the amount of the clawback).

Example: Tom, age 76, receives full OAS and has a net income of $79,800 for 2021 (before the additional $500 payment).

Because his income is below the clawback threshold of $79,845, there was no OAS repayment before receiving the additional $500 payment. However the OAS pension benefits will be subject to regular tax at the individual's marginal tax rate.

But, with the additional payment, net income increases to $80,300. This is above the clawback income threshold. Some OAS will now be repayable:

15% x ($80,300 - $79,845) = $68.25.

This means Tom keeps only $431.75 of the $500 payment.

There are many more interesting consequences of collecting your public pensions – the CPP and the OAS, especially when other income sources are added to the mix, as they will be, for most middle-income earners in Canada.

For these reasons, aside from making decisions only about the public pension entitlements to the CPP and the OAS, most people – including low income earners – can benefit from a more "holistic" approach to their potential income sources in retirement.

This is known as retirement income planning, discussed in a separate module in this program.

CONCLUSION

SOME GOOD NEWS TO LEAVE YOU WITH: Most people will have enough!

According to a financial survey of 12,000 households (9000 working and 3000 retired) by McKinsey & Company in 2015, 83% of Canadians will be able to maintain their standard of living after work, based on spending 65% of their pre-retirement income. Even low-income households can maintain 93% of their current living standards:

All households in Canada	**83%**
Households with no workplace pension & high savings	**95%**
Low-income households	**93%**
Households with a defined benefit pension plan	**91%**
Households with a workplace pension plan	**84%**
Households with mid to high incomes	**77%**
Households with a workplace defined contribution or group RRSP	**75%**
Households with no workplace pension plan	**63%**
Households with no workplace pension and low savings	**46%**

Also relevant is the fact that some retirees with incomes under $60,000 can actually pay no taxes at all, depending on their additional income sources: return of capital, TFSA withdrawals, and dividends, for example.

But there are risks on the horizon: inflation and higher taxes. It is always a good idea to get some help with projections every year to bring new value to your retirement income planning.

Glossary of Terms

Canada Pension Plan (CPP) The CPP is a contributory plan. That means you will only receive retirement benefits from the CPP if you contributed to it as a result of employment or self-employment. The CPP is also taxable, which means the income is reported every year on your tax return.

Guaranteed Income Supplement (GIS) Low-income seniors can also receive a supplement to their OAS benefits. This GIS is based on your income.

Old Age Security (OAS) This is a universal benefit; that is, it is payable to all seniors who have reached at least age 65, have been a Canadian resident or legal resident at the time of application and have resided in Canada for at least 10 years since reaching age 18. The OAS Benefits are paid monthly, and they are indexed every quarter.

OAS Clawback. Once your net income rises to a certain income threshold level, the OAS benefit is clawed back or reduced.

__Money and You: Seniors Edition__ was written by award-winning financial educator and best-selling tax author __Evelyn Jacks__. Evelyn is the principal of the, __Knowledge Bureau™__ a widely respected financial education institute and publisher, which provides world-class continuing professional development to advisors in the tax, accounting, bookkeeping and financial services. It has welcomed tens of thousands of students to its virtual campus to earn new credentials and enhance career opportunities, and also provides customized learning solutions for large and small enterprises and associations. For more information visit __www.knowledgebureau.com__ or call 1-866-953-4769.