

Canada Pension Plan- Proposed Changes

As you may have heard, there are proposed changes to the Canada Pension Plan (CPP) that will look to be brought in gradually starting in 2011.

In case you haven't had a chance to review the media coverage, we thought you would appreciate a quick overview:

- The current requirement that Canadians must stop working or significantly reduce their earnings to receive their CPP retirement benefit will be removed.
- The drop out provisions, which allow for a certain number of years with low or nil earnings to be excluded, will be increased from the current 15% to 17%. This would allow a maximum of eight years to be dropped (up from seven) and should benefit early retirees.
- Those opting for early CPP benefits and are still working are required to contribute to the CPP at the same time. Contributions are optional for individuals who are 65 and over.
- Those who take CPP benefits before age 65 will have their pension reduced by 0.6% (from the current 0.5%) per month for each month that the pension is taken before age 65. Similarly, those who delay taking their CPP benefits will see it increased by 0.7% per month (from the current 0.5%). In other words, CPP benefits are reduced for a person who begins drawing at 60 by 36% (up from 30%) and increased for a person who waits until age 70 to 42% (again up from 30%).
- Despite the above changes, the contribution rates to the CPP will remain at 9.9%

We hope you find these highlights useful. If you'd like to discuss these or any other government initiatives and how they affect your financial plan, please don't hesitate to contact us.