



# ORPP creates new challenges for advisors

by Jordan Maxwell | 12 Feb 2015

CHART  
A NEW  
DIRECTION

Ask about our:

- Fee-based platform
- Competitive compensation
- Guaranteed succession program

LEARN MORE

GP WEALTH  
MANAGEMENT

Advisors might have to change their approach and consider the ORPP as yet another hurdle to overcome when it comes to financial planning for your client's retirement, said Rona Birenbaum, a wealth advisor with Caring for Clients.

"This is going to be another element. Advisors need to educate their clients, will it be enough? This is also about preparing them for the inevitable hit it will put on their cash flow," she said.

"This is going to reduce your capacity to save outside of these plans and that's why advisors need to be aware of the fact that their clients are going to see less money on their regular pay. It could impact the plans they've set up."

Her comments come following a report released by Morneau Shepell, a retirement and health consulting

firm in Toronto, which cites Ontarians will not have enough to save for retirement after the new Ontario Pension Plan begins in 2017.

The report, titled Retirement Security for Everyone, stresses the need for government, unions and business

### LATEST JOBS

- Investment Assistant - Victoria
- Financial Advisor Assistant
- Chief Compliance Officer

### MOST DISCUSSED

- Something's rotten in Denmark and it isn't advisors [READ MORE](#)
- The many issues plaguing the financial services business today ... [READ MORE](#)
- Ken Kivenko is right ...
- Embedded commissions on last legs [READ MORE](#)
- Industry source suggests a statement from the CSA regarding ... [READ MORE](#)
- Totally agree with y ... [READ MORE](#)
- For the most part, C ...
- Veteran advisor speaks out against regulator [READ MORE](#)
- Recent discussions on the WP website revolving around the pr ... [READ MORE](#)
- @TLD "Truth is that ... I find it fascinatin ...

BROADEN  
YOUR INCOME  
STRATEGY

Dynamic Funds<sup>®</sup>

Invest with advice.

### WP TV



Northland Wealth Management CEO explains how advisors can us ...



citizens to work together on the Plan as roughly half of Ontarians won't be sufficient come retirement due to the three existing federal plans (Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement).

This could cause trouble for advisors as they attempt to steer their clients through the new requirements and undoubted implications it will have on the way some Ontarians save for retirement, according to a wealth advisor in Toronto.

"If a client starts participating in the plan, it's going to save for retirement but it will reduce your net pay," said Birenbaum. "If there were already saving, they may not have the capacity to do so once contributions kick in.

"It's going to be important for advisors to be able to illustrate to the client what potential income will be derived from their contributions. It's not a panacea; it won't bail out individuals who underfunded on their retirement savings overall."

When it's launched, the Ontario Pension Plan will force anything employee not enrolled in a defined-benefit plan to contribute 1.9 per cent of their earnings on the \$90,000 income and will also ensure that employers match that figure.

For approximately 5.5 million Ontarians making \$50,000 or less, the combined income from the government plans will provide the suggested 60 per cent replacement income required to maintain one's standards of living in retirement, according to the report and numbers from Statistics Canada.

The Ontario Pension Plan came to action after failed attempts by Premier Kathleen Wynne and her cabinet to encourage the federal government to enhance the Canada Pension Plan to include lower-income Canadians and Ontarians who aren't saving for life after retirement.

"It aims to replace 15 per cent of an individual's earnings for life. Contributions would be made on earnings up to \$90,000 in 2014 dollars less the \$3,500 minimum earnings threshold. This matches the CPP minimum threshold," according to Mitzi Hunter, associate Finance Minister in Ontario.

"In addition to pooling longevity risk, the plan also allows individuals to share the "investment risk" of lower-than-expected returns by spreading that risk across a larger group of people diversified by age. The funds are



#### MOST READ

Fund companies push back  
CSA might have been the first to blink in  
fund com ...

Embedded commissions on last legs  
Industry source suggests a statement from  
the CSA ...

Fund fees take a hit  
The IIROC guys won't be amused, with  
some ETF prov ...

#### LATEST NEWS

A dozen Quebec advisors under  
investigation  
Quebec financial regulator Autorité des  
marchés f ... [READ MORE](#)

ORPP creates new challenges for  
advisors

Advisors might have to change their  
approach and c ... [READ MORE](#)

Something's rotten in Denmark and it  
isn't advisors

The many issues plaguing the financial  
services bu ... [READ MORE](#)

A few financial numbers worth noting  
A boatload of firms reported Q4 earnings  
yesterday ... [READ MORE](#)

locked-in meaning they can't be accessed until retirement age preventing the withdrawal of funds for short-term financial pressures that usually pass."

Plan came to action after failed attempts by Premier Kathleen Wynne and her cabinet to encourage the federal government to enhance the Canada Pension Plan to include lower-income Canadians and Ontarians who aren't saving for life after retirement.

"It aims to replace 15 per cent of an individual's earnings for life. Contributions would be made on earnings up to \$90,000 in 2014 dollars less the \$3,500 minimum earnings threshold. This matches the CPP minimum threshold," according to Mitzi Hunter, associate Finance Minister in Ontario.

"In addition to pooling longevity risk, the plan also allows individuals to share the "investment risk" of lower-than-expected returns by spreading that risk across a larger group of people diversified by age. The funds are locked-in meaning they can't be accessed until retirement age preventing the withdrawal of funds for short-term financial pressures that usually pass."



### YOUR COMMENT

WP forum is the place for positive industry interaction and welcomes your professional and informed opinion.

Name (required)

Comment (required)

Notify me of follow-up comments

By submitting, I agree to the [Terms & Conditions](#)

[Submit a comment](#)

### E-MAG WEALTH PROFESSIONAL



Wealth Professional  
2.6



WP's first-ever independent offices issue with its inaugural advisor lifestyle s ...

- [Wealth Professional](#)
- [Privacy](#)
- [Terms & Conditions](#)
- [Conditions of use](#)
- [About us](#)
- [Contact us](#)
- [RSS](#)

### OTHER SITES

- [Key Media](#)
- [Australian Broker](#)
- [Corporate Risk & Insurance](#)
- [Insurance Business](#)
- [Insurance Business America](#)
- [Insurance Business Canada](#)
- [Mortgage Broker News](#)
- [Mortgage Professional America](#)
- [Mortgage Professional Australia](#)
- [Wealth Professional](#)

