

## Monthly Compass: June 2015

Helping You Navigate Government Retirement Benefits



With over 1000 Canadians turning 65 each day, many are trying to understand their government benefits. With that in mind, this month's edition of the Monthly Compass provides a reference guide to help you understand Government Retirement Income Benefits, namely CPP & OAS. The guide attached outlines how both programs work, eligibility requirements, and benefit amounts.

For many retiring today, CPP and OAS are their only source of pension income. The rest of their retirement income will come from the savings they have worked hard to accumulate during their working years. And yet, less than 30% have a financial/retirement income plan. With Farwell Wealth Management, your personal Roadmap is your financial plan, which identifies your retirement income opportunities and factors in your government benefits and tax implications.

Get started on your personal RoadMap to Retire on Your Own Terms™ by contacting us at: [farwellwealthmanagement@scotiamcleod.com](mailto:farwellwealthmanagement@scotiamcleod.com) or (416) 863-7123.



# RETIREMENT INCOME: Understanding CPP & OAS



As of June 2015

Planning your retirement *income* is more complicated than *saving* for retirement. The purpose of this article is to help you understand a very important source of retirement income – Your Government Benefits. This includes how Old Age Security (OAS) and the Canada Pension Plan (CPP) work, eligibility requirements, benefit amounts, as well as providing resources for applying and contacting Service Canada – your source for personalized benefit projections and applications.

## Old Age Security (OAS)

OAS is not a pension in the traditional sense but rather a social benefits program operated by the federal government. It is directed at Canadians that have reached the age of 65.

Eligibility for OAS depends on how long you have lived in Canada. Generally speaking, if you have lived in Canada for 40 years, you will receive the maximum OAS benefit. If you have lived in Canada for between 10 and 40 years, you will be eligible for a partial pension.

The 2012 Federal budget announced that the eligibility age for OAS will be gradually raised to 67, beginning in 2023, with a full implementation of the new age eligibility policy by 2029. If you were 54 or older as of March 31, 2012, these changes will not affect you.

		OAS Eligibility age
No change:	54 or older as of March 31, 2012,	65
Phase in period:	Born April 1, 1958 – January 31, 1962	65 - 67
Full implementation:	Born on or after February 1, 1962	67

As of July 1, 2013, you can choose to defer your OAS pension benefits (by working longer), for up to 5 years. In exchange, you will receive a higher amount once you begin receiving your benefits. For example, someone turning 65 in 2013 can defer OAS until they reach age 70, which would increase their annual benefit to \$9200 from \$6765, a 36% percent increase (0.6% per month).

The maximum OAS pension as of April 2015 is \$563.74 per month and is considered taxable income. This amount is increased quarterly to account for inflation. If you receive income over approximately \$71,500, the OAS benefit will be reduced by \$0.15 for every dollar of income above this value. The OAS benefit is completely clawed back at an annual income of \$114,815.

You should apply for your OAS benefits six months before you turn 65. You cannot apply for OAS online but you can complete the form online and then mail a printed copy.



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When you apply you will need the following:

- Proof of age – This does not need to be submitted with the application but you must be able to produce this if requested.
- Proof of residency – If you have lived in Canada all your life, there is no documentation required. However, if you were born elsewhere, you will need to provide proof of residency status (a passport will suffice) and proof of residence history (passports, visa).

## Canada Pension Plan (CPP)

The CPP is based on work experience in Canada. If you have made at least one contribution to the program you will be eligible for a pension. Currently the maximum CPP pension is approximately \$1,000 per month and is considered taxable income. This is based on someone retiring at age 65. The pension amount is adjusted each year to keep pace with inflation.

The standard CPP benefit is designed to start at age 65 but if you meet certain conditions, you can choose to start receiving benefits as early as age 60. If you retire early in 2015, your pension will be reduced by 0.58% for each month that you choose to take the pension before reaching 65. In 2016, this reduction will increase to 0.60% per month. While there are definite benefits to taking your CPP early, there are also benefits to delaying receiving benefits, namely if you delay, your benefit will increase by 0.7% for each month, to a maximum increase of 42% at age 70.

If you and your spouse are both eligible to receive a CPP pension, you can split your pensions. Pension sharing makes good tax sense since you and your spouse could end up reducing the taxes you pay.

You must be at least 59 years old to apply for CPP benefits. You can obtain a paper application from Service Canada or make your application online. You will be able to submit the application online and then mail in a signature page.

You will need the following when you apply:

- A Social Insurance Number (SIN)
- Your spouse's SIN if applying for pension sharing
- Bank information if requesting direct deposit



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## CPP and OAS Estimates

If you are relying strictly on government sources of revenue, you will be receiving, at most, about \$1,630 per month in taxable income in retirement (\$564 OAS and \$1,065 CPP). This will be about \$19,100 per year.

Service Canada can provide you with estimates of your current CPP and OAS Entitlements. There are two ways to access this information:

- Contact a Service Canada:

<http://www.servicecanada.gc.ca/eng/lifeevents/retirement.shtml>

Speak with an Agent: 1-800-277-9914

- Go online and view your account:

<http://www.servicecanada.gc.ca/eng/online/mysca.shtml>

Your Government Benefit decisions don't have to be made alone. Your team of retirement income specialists at Farwell Wealth Management are here to help you navigate your Government Benefits, as well as identify retirement income opportunities.

## Contact Information

Farwell Wealth Management

(P) 416-863-7123

[www.retireonyourownterms.ca](http://www.retireonyourownterms.ca)

