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Q: What are all of these new CPP (Canada Pension Plan) rules and how do they affect me?

There are many significant changes to the Canada Pension Plan (CPP). These rules will affect all Canadians—whether now or in the future. Here is a summary of the changes:

WORKING AND RECEIVING CPP

If you are working while collecting CPP, you (and your employer) are not required to pay CPP contributions at this time. However, starting January 1, 2012, if you continue to work while receiving CPP, both you and your employer will be required to make CPP contributions.

If you are working and between the ages of 65 and 70, contributions are voluntary—however, should you opt to contribute to CPP, your employer will also have to make CPP contributions.

DELAYING YOUR CPP

In the past, if you decided to start receiving your CPP benefits before age 65, the amount you received was reduced by how many years before age 65 you started (age 60 was the earliest you could apply). These rules still apply; however, the government has increased the penalties for taking it early. Conversely, they have increased the benefit amount even more if you delay receiving CPP until after age 65 (to age 70 at the latest). It is clear from these new rules that the government is definitely encouraging us to delay receiving our CPP benefits.

CHANGES TO QUALIFYING FOR CPP

Currently, if you are working and between the ages of 60 and 65 and want to receive CPP payments, you have to pass a 'work cessation test'. To pass this test, you either have to stop working or, for two consecutive months, your earnings have to be less than \$960 per month. However, starting January 1, 2012, this work cessation test is being eliminated and you won't have to stop working in order to start receiving CPP.



LOW EARNINGS YEARS

Individuals who have undergone a period of unemployment—perhaps you have gone back to school or been out of the workforce for a few years raising children—are entitled to the 'low earnings dropout' provision. This provision allows for the lowest 15 per cent of earnings to be dropped out of the calculation for your CPP.

Starting in 2012, however, the dropout period will be raised to 16 per cent and in 2014 it will be increased to 17 per cent. If you are among those affected by this ruling your CPP benefits will increase.

ADDITIONAL RETIREMENT BENEFITS

One of the most significant changes that has been made is that for the first time under the Canada Pension Plan an individual who is receiving CPP retirement benefits will be able to accrue additional benefits. These additional benefits are post-retirement benefits, earned by those under age 65 who are continuing to work while receiving—and contributing to—CPP. These benefits rise with increases in the cost of living, even if the individual is already drawing the maximum pension from CPP.

These changes to CPP are significant for many retirees and, more importantly, for pre-retirees. If you are in your 50's or 60's and approaching retirement, it is essential to realize that some vital (and educated) decisions will have to be made. Consult a financial planner who specializes in retirement planning and review your situation so that you can start receiving CPP benefits at the optimal time for your individual financial situation. ■

As always, if I can help you in this important area, please don't hesitate to e-mail me at jswanson@bmfj.ca.