

Canada Pension Plan benefits and you

The Canada Pension Plan (CPP) is a contributory, earnings-related government program. CPP seems to be shrouded in a fog of mystery for many Canadians who have been contributing for most of their lives and are unsure of what the benefits really are.

CPP is intended to provide basic financial protection for the contributor and his or her family in the event of death, disability or retirement. Benefits, which are taxable for income purposes, must be applied for. They do not start automatically.

Retirement Benefits - Carl, age 65, is about to retire. He has the option of applying for CPP benefits right away, or he can delay them until as late as age 70. The longer Carl waits, the more his CPP benefit will be. His monthly benefits will increase by .5% (one half percent) per month he delays.

Carla, on the other hand, wants to retire early. She can receive reduced CPP benefits as early as age 60 as long as she meets certain criteria:

- 1 - She can stop working before the end of the month before she receives benefits and not work in the whole month she first receives benefits, or
- 2 - She can have earned income that is less than a specified amount in the month before her CPP pension benefits begin.

Even if Carla does not need the income, she may be better off taking it early. After taxes, she will have extra money to invest or she can choose to give it to her favorite charity and get a nice tax reduction.

Disability Benefits - Brian has applied for a disability benefit from CPP. It may take up to four months before he receives benefits. The CPP defines disability as "*a condition, either physical or mental, that is severe and prolonged. 'Severe' means your condition prevents you from working regularly at any job, and 'prolonged' means your condition is long-term or may result in death.*" Brian will also have to meet age and contribution requirements.

Brian has two children under age 18 and one child who is 19 and a full-time student at university. There is also a monthly benefit for dependent children of parents who are receiving a CPP disability benefit.

Survivor Benefits - There are three CPP survivor benefits. They are:

Death Benefit - a one-time payment to, or on behalf of, the estate of a deceased contributor.

Survivor's Pension - a monthly benefit paid to the surviving spouse or common-law partner of a deceased contributor.

Children's Benefit - a monthly benefit for dependent children of a deceased contributor.

Jill's husband recently died. Like the CPP website says, she must "apply for CPP benefits. If you do not apply, you will not receive them."

This article is intended to provide an overview of the Canada Pension Plan and is not intended to provide specific advice.

Want help with your financial strategies? Call today!

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