

Part Six: Government benefits a mystery to many readers

Many *Vancouver Sun* readers had questions about government benefits. Here is a summary of the two main government benefits, the Canada Pension Plan and Old Age Security, provided by Clay Gillespie, managing director at Rogers Group Financial.

- CPP benefit payments are based on contributions made to the plan during a person's working years. You can contact Service Canada (www.servicecanada.gc.ca) for an updated CPP statement of contributions. Today, the maximum CPP retirement pension amount is \$986.67/month at age 65. You can start your pension as early as 60 or as late as 70. The percentage amounts used to reduce it if taken before age 65 will be gradually increased from 0.52 per cent in 2012 to 0.60 per cent in 2016.

For a person who begins collecting the CPP retirement pension at age 60 after 2015, the pension would be reduced by 36 per cent (60 months x 0.60 per cent). The percentage amounts used to increase the pensions taken after age 65 will be gradually increased from 0.57 per cent in 2011 to 0.70 per cent in 2013. Thus, for a person who begins collecting CPP at age 70 after 2012, the pension would be increased by 42 per cent (60 months x 0.70 per cent).

You can now collect CPP before age 65, even if you are still working.

Many individuals ask if you should take CPP early. This is a difficult question because the answer is based mainly on life expectancy. If you expect to live longer than the average Canadian, you should consider deferring your pension. However, I will typically recommend individuals take it as soon as they retire. Taking it early allows you to get the pension for a longer period of time, but at a lower amount. It might also delay when you need to generate an income from your other assets. If you live to life expectancy, it shouldn't matter which option you choose.

- OAS is a monthly payment available to most Canadians aged 65 or older. The maximum OAS pension is \$540.12/month. To receive the maximum OAS payment, you must have lived in Canada for 40 years after turning 18. You are eligible to receive OAS payments if you are 65 or older, a Canadian citizen or legal resident at the time your OAS application is approved and must have lived in Canada for at least 10 years after turning 18.

For every dollar your annual income exceeds \$69,562, you will have to repay 15 per cent of that excess amount. If your income is \$112,772 or greater, your entire OAS benefit will be clawed back.

- Guaranteed Income Supplement (GIS) is the other main OAS benefit for low-income seniors. If you are over 65 and your income excluding OAS is less than \$16,368, you should apply for the GIS benefit.

Both CPP and OAS are indexed to inflation. You should apply for CPP and OAS six months before you want the benefits to start.

If you are not covered by either of the above scenarios, you may still qualify for a pension since Canada has social security agreements with many countries. If you have lived in one of these countries or contributed to its social security system, you may qualify for a pension from that country, from Canada or from both countries.