

Collecting the CPP



Some general considerations to keep in mind when deciding what age to start collecting the CPP retirement benefit.

1. Do you need the CPP income to finance your lifestyle now? If not needed, what will you invest the CPP income in?	4. If your life expectancy is short, you should consider taking CPP benefits early.
2. Spousal survival benefits – if you die early, how much will your spouse/partner receive?	5. If you are still working, rules have changed when you can take CPP.
3. The impact of taking CPP benefits early (from age 60-65; 0.6% per month) or later (after age 65; 0.7% per month).	6. Tax implications.

There are two components that determine how much your CPP benefit will be:

1. The amount you are entitled to (see below)	2. Your age when you start collecting benefits (see other side)
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Note: the maximum CPP retirement benefit at age 65 (2015) is \$1,065/month. This amount is calculated from the average yearly maximum pensionable earnings for the last five years. These CPP rates will be in effect until Dec. 31, 2015.

How much will you get? Most people don't qualify for the maximum. The average monthly CPP payment is a little over \$550/month, which is a long way from the maximum. At the most basic level, the amount you get from CPP depends on how much you put into CPP.

Eligibility to receive the maximum CPP benefit is based on meeting two criteria:

Contributions – You must contribute to CPP for at least 83% of the time that you are eligible to contribute (time between age of 18 to 65 = 47 years and 83% of 47 years = 39 years). If you do contribute for 39 years you may be eligible for the maximum benefit, but this depends on the amount you contribute.

Amount of contributions – Every year you work and contribute to CPP between the age of 18 and 65, you add to your benefit. To qualify for the maximum, you must not only contribute to CPP for 39 years but you must also contribute 'enough' in each of those years. CPP uses something called the Yearly Maximum Pensionable Earnings (YMPE) to determine whether you contributed enough. The YMPE for 2015 is \$53,600 up from \$52,500 in 2014, if your income is less than \$53,600 you will not contribute enough to qualify for the maximum.

The easiest way to figure out your CPP eligibility is simply get your CPP statement of contributions. This document will list all the years you were eligible to contribute from age 18 to 65. It will show you how much you contributed in each of those years. If you contributed the maximum, the letter "M" will be assigned for that year. All you have to do is add up all the M's to see if you are eligible for the maximum. If you have 39 M's you'll get the maximum. If you have 20 M's you will get approximately half the maximum (you might get some partial credits for part years).

The best way to figure out how much CPP you qualify for is to get your CPP statement of contributions. Call Service Canada 1-800-277-9914 and ask for a CPP Statement of Contributions. They will provide you with access to your online statement.



2016 examples of CPP retirement benefits at different start ages

Age to start CPP	Monthly CPP	Annual CPP Rate	Total received at age 75	Total received at age 80	Total received at age 85	Total received at age 90
60	\$ 384.00	\$ 4,608.00	\$ 69,120.00	\$ 92,160.00	\$ 115,200.00	\$ 138,240.00
61	427.20	5,126.40	71,769.60	97,401.60	123,033.60	148,665.60
62	470.40	5,644.80	73,382.40	101,606.40	129,830.40	158,054.40
63	513.60	6,163.20	73,958.40	104,774.40	135,590.40	166,406.40
64	556.80	6,681.60	73,497.60	106,905.60	140,313.60	173,721.60
65	600.00	7,200.00	72,000.00	108,000.00	144,000.00	180,000.00
66	650.40	7,804.80	70,243.20	109,267.20	148,291.20	187,315.20
67	700.80	8,409.60	67,276.80	109,324.80	151,372.80	193,420.80
68	751.20	9,014.40	63,100.80	108,172.80	153,244.80	198,316.80
69	801.60	9,619.20	57,715.20	105,811.20	153,907.20	202,003.20
70	852.00	10,224.00	51,120.00	102,240.00	153,360.00	204,480.00

Note: The annual rate of reduction between age 60 to 64 is 7.2% (the 2016 value). Therefore, the above accumulated CPP benefit between age 60 to 64 is underestimated if the chart is used prior to 2016. This summary is an estimate based on determined assumptions and it is not meant for a precise calculation of the accumulated CPP benefit. Highlighted values are the highest values of accumulated CPP benefit for the listed life expectancies (e.g., if the life expectancy of the client is 75, then it would be most beneficial for the client to start receiving CPP at age 63; if the life expectancy of the client is 80, then it would be most beneficial for the client to start receiving CPP at age 67).

Client example details

Assume client's age Jan 1

60 years

CPP benefit per CPP statement at age 65

\$600.00

- Reinvestment of payments has not been considered.
- Post-Retirement Benefits (PRB) are excluded from these calculations.
- Future **indexation of payments is ignored** for this analysis to provide present day values.

This table **illustrates someone retiring now** and demonstrates how the age at which you begin drawing CPP affects benefits over time, and **does not** calculate specific CPP entitlement.

There is no right answer here – it's a personal decision you need to make.



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