

UNDERSTANDING THE SUBTLETIES OF THE CANADA PENSION PLAN AND OLD AGE SECURITY (PART 2 OF 2)

The Canada Pension Plan (CPP) and Old Age Security (OAS) are hot topics for those entering their 60's. A common question that comes up when we meet with those looking ahead to retirement is: When should I begin taking my CPP and OAS benefits? In this two-part series we will shed light on CPP and OAS separately, as well as provide some guidelines for when you should apply to receive benefits from these programs.

AT WHAT AGE CAN I TAKE OAS?

OAS can be taken as early as age 65 and, similar to CPP, you may choose to delay receiving the OAS benefit which would increase your monthly payment amount by 0.6% (7.2% per year) up to a maximum of 36% at age 70. Bear in mind that if you were not selected for automatic enrollment, you will need to manually apply. If you wish to begin payments at age 65, it is recommended that you apply at least six months in advance.

HOW CAN I FIND OUT HOW MUCH I WILL BE GETTING?

The amount you can expect to receive from the OAS benefit is based on how long you have lived in Canada after the age of 18. If you have resided in Canada for at least 40 years then you are likely eligible for the full pension, but even if you have not, there are other ways by which you may qualify for the full pension. For each year of residence in Canada after the age of 18 you may be eligible for a partial pension, which is calculated at a rate of 1/40th of the full OAS amount for every full year of residence.

To find out your specific entitlement, you can create a My Service Canada Account online, if you do not already have one, or visit a Service Canada Office. Be mindful that both

CPP and OAS are adjusted every January based on the Consumer Price Index.

WHAT ARE THE LATEST RULES FOR OAS CLAWBACKS?

If your net income exceeds the minimum income recovery threshold amount (\$77,580 for 2019) then part of your OAS pension is reduced by what the government calls the OAS pension recovery tax. The repayment amount is based on the difference between the income you have received in that year minus the threshold amount and it is 15% of that difference that must be repaid. If you are earning more than the maximum income recovery threshold (\$125,696 for 2019) then your entire OAS would be reclaimed. Remember that income is not only employment income, but also includes income derived from CPP payments, any workplace pensions and any withdrawals whether prescribed or not from registered accounts such as RIF's, LIF's, etc. This is where the power of pension income splitting can prove to be especially valuable.



WHAT HAPPENS IF MY SPOUSE PASSES AWAY?

If you and your spouse are receiving OAS benefits and your spouse passes away, you may be entitled to a survivor's pension. This amount is determined based on the survivor's age and any other benefits the survivor receives. The survivor's pension combined with the retirement pension cannot exceed the maximum retirement pension amount provided by the government.

Deciding on when to take CPP and OAS is entirely dependent on your personal situation and factors such as your current and future income streams as well as your health need to be taken into consideration. Nonetheless, we hope that this two-part series has been helpful in addressing some common questions regarding both of these retirement benefits.



Be mindful that both CPP and OAS are adjusted every January based on the Consumer Price Index.

