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## The boomer's dilemma: When to start collecting CPP?

By JOHN HEINZL

*You can start Canada Pension Plan benefits as early as 60, or wait as late as 70 and get significantly more money every month. The choice depends on many factors including health, financial needs and taxes*

Ross McShane has noticed a change when talking to clients about when to take their Canada Pension Plan benefits.

"It used to be a debate on whether to take it at 60 or to hang on until 65," says the director of financial planning with McLarty & Co. Wealth Management in Ottawa.

"That's changing. Now the debate is starting to shift toward whether they should take CPP at 65 or wait until 66, 67 or 70."

There are several reasons many baby boomers aren't as keen to start CPP early. People are living longer, they're more active and they're generally enjoying a higher quality of life in retirement. What's more, many people are working longer – often by choice – and can afford to hold out for a higher monthly CPP pension.

The question of when to start collecting CPP is complex and turns on factors including financial need, health, life expectancy and taxes.

"There is no one-size-fits-all solution," Mr. McShane says. Here are some key points to consider.

### **Wait longer, get more**

The main reason to delay CPP is that you will receive a larger benefit. If you start CPP at the standard time – the month after your 65th birthday – you will receive 100 per cent of your benefit (which is based on how much and for how long you have contributed to the plan). As of 2016, if you start collecting CPP at age 60, your monthly benefit will be reduced by 36 per cent (0.6 per cent for each month before 65). If you wait until 70, your benefit will increase by 42 per cent (0.7 per cent for each month after 65). The maximum monthly CPP benefit at 65 is currently \$1,065, and this amount is indexed to inflation.

### **Know your cash flow**

If you are over 60 and experiencing cash flow issues, and if you have few other sources of funds, that would tilt the argument in favour of taking CPP earlier than 65, Mr. McShane says. Similarly, if you have a lot of high-interest debt, starting CPP early could be advantageous. Some retirees are keen to grab CPP as early as possible because they are worried that the plan might not be around in later years. But the CPP is on solid financial ground and such

fears are unfounded, Mr. McShane says.

### **How's your health?**

If your health is deteriorating and you have concerns about your longevity, taking CPP early could make sense because you might not otherwise live long enough to see much, if any, of your benefits. On the other hand, "if you expect to live a very long life, delaying the start of your pension can result in thousands of dollars more in benefits over your lifetime," says Doug Runchey, who runs DR Pensions Consulting in the Comox Valley on Vancouver Island. However, he adds that, if you are under 65 "and disabled to the point that you are incapable of working, you should consider applying for a CPP disability pension instead of an early retirement pension" because the disability pension is higher than an early, reduced pension and converts to a full pension at 65.

### **Stopped working?**

If you are retired and have fewer than 39 years of maximum CPP contributions (generally what's required to receive a full pension at 65), "you may want to consider taking your CPP early," Mr. Runchey says. That's because, if you delay receiving CPP, "your calculated retirement pension might decrease with each additional year of zero contributions, which will offset part of the increase that you receive by waiting," he says.

### **Still working?**

If you have employment income, your CPP will likely be taxed at a higher rate than if you delay CPP until you are no longer working, Mr. Runchey says. Prior to 2012, if you were receiving CPP and still working, you did not make CPP contributions (regardless of your age). Starting in 2012, if you are under 65 and still working while receiving CPP, you and your employer are required to make CPP contributions. These contributions go toward the new Post-Retirement Benefit (PRB), which is added to your current retirement benefit. If you are age 65 to 70 and working while receiving CPP, you can choose to make contributions or opt out.

### **Careful with the clawback**

The Old Age Security clawback, which kicks in at 2015 income of \$72,809, is another consideration, Mr. McShane says. "If you already have sufficient cash flow to cover lifestyle expenses without CPP, and if adding CPP income on top of your other income would cause your OAS to be clawed back, you might consider delaying drawing CPP until age 70 in order to minimize the OAS clawback for five years," he says. OAS can also be delayed to age 70 "and this is prudent in situations where one is still working or has initiated an early RRSP withdrawal strategy," he says.

### **Estimating your benefit**

Your CPP Statement of Contributions (available from My Service Canada) provides a record of your contributions and an estimate of your monthly CPP benefit at age 60, 65 and 70. However, the estimates can be misleading because they assume your lifetime average earnings so far will continue until those ages. "If you retire early or you are reduced to part-time earnings, your actual CPP at those ages could be somewhat or significantly lower," Mr. Runchey says.

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