

Canada Pension Plan – When Should I Start Receiving my Retirement Pension?

The Canada Pension Plan (CPP) pays a monthly retirement pension to people who have worked and contributed to the plan.

One of the many features of the CPP retirement pension is the individual's ability to elect when to start the pension income stream. CPP retirement pension normally begins the month after an individual's 65th birthday; however, it can be initiated as early as age 60 or any time up to age 70. However, CPP will:

- reduce the pension benefit by 0.5% for each month an individual draws his or her pension prior to his or her 65th birthday; or
- increase the payment by 0.5% for each month the pension is delayed past an individual's 65th birthday.

When should I start receiving my retirement pension?

The following table helps to depict the differences in total pension income from the start of CPP retirement pension for various life spans. The table identifies maximum CPP entitlement at age 65 and compares that income to reduced CPP at age 60, and enhanced CPP if an individual were to delay receiving the pension until age 70. The calculations assume that the individual starts receiving CPP retirement pension after 2010, and is out of the work force.

In 2009, the Government made changes to the CPP to better accommodate the ways Canadians live, work and retire. These changes will be gradually phased in between 2011 and 2016. For more information, please refer to our article "Canada Pension Plan: Retirement Pension Overview".

From 2012 to 2016, the early pension reduction rate will gradually increase from 0.5% per month to 0.6% per month for each month of early take-up, to a maximum of 36%.

From 2011 to 2013, the late pension augmentation will gradually increase from 0.5% per month to 0.7% per month for each month of late take-up, up to a maximum of 42%.

The table below shows that if you were to live to age 90, the later you begin receiving CPP benefits, the more you will receive in total. Factors that need to be considered in determining when to start CPP benefits include cash flow requirements, life expectancy and taxes.

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Comparison of CPP Retirement Income Over Varied Life Spans						
Age	Monthly Payment*	Annual Payment*	Total Age 75	Total Age 80	Total Age 85	Total Age 90
60 Year 2012	\$660	\$7,926	\$118,886	\$158,515	\$198,144	\$237,773
65 Year 2017	\$960	\$11,520	\$115,200	\$172,800	\$230,400	\$288,000
70 Year 2022	\$1,363	\$16,358	\$81,792	\$163,584	\$245,376	\$327,168

Source: TD Waterhouse Products, Services and Strategy

*Values are pre-tax, rounded to the nearest dollar and are reflected in 2011 (based on the 2011 maximum CPP retirement benefit of \$960/month at age 65) with no adjustment for inflation. For example, the calculation for CPP retirement benefit payment starting from age 65 to 80 is: \$960/month x 12 months x 15 years = \$172,800.

Planning Points

Factors to consider before drawing on CPP retirement pension include:

- Whether or not an individual is still earning income and contributing to CPP
- How long an individual has contributed to the plan
- The value of earnings during the contribution period
- Other retirement income sources
- An individual's state of health (expected lifespan)
- Need for additional income



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