

THE CANADA PENSION PLAN

When can I apply for it? Is there an advantage to applying early?

The normal age is sixty-five but you can elect to receive it as early as age sixty. There is, however, a penalty of a reduction of 0.5% for each month that you elect to start receiving your pension before you turn sixty-five. That's 6% per year.

You can also elect to delay receiving the CPP pension until as late as age seventy. In this case you get a premium of 0.5% a month for each month you wait after you turn sixty-five.

So, what age should you elect to start receiving your CPP pension? Actually, there is no easy answer. It probably depends on how long you think you're going to live. Now, who really knows that? But to help answer the question, here is a spreadsheet that will allow you to figure it out yourself.

Canada Pension Plan Total Income Comparison Chart

	Age 60	Age 61	Age 62	Age 63	Age 64	Age 65	Maximum	Elect Age
Death								
71	\$136,259	\$134,224	\$130,313	\$124,585	\$117,095	\$107,897	\$136,259	Age 60
72	149,144	147,939	144,821	139,849	133,079	124,569	149,144	Age 60
73	162,286	161,928	159,618	155,417	149,384	141,574	162,286	Age 60
74	175,692	176,197	174,712	171,298	166,014	158,919	176,197	Age 61
75	189,365	190,751	190,107	187,495	182,977	176,611	190,751	Age 61
76	203,312	205,596	205,810	204,017	200,279	194,656	205,810	Age 62
77	217,537	220,738	221,827	220,869	217,928	213,063	221,827	Age 62
78	232,048	236,183	238,165	238,059	235,929	231,838	238,165	Age 62
79	246,848	251,937	254,829	255,592	254,290	250,988	255,592	Age 63
80	261,944	268,006	271,827	273,476	273,019	270,521	273,476	Age 63
81	277,343	284,397	289,165	291,717	292,122	290,445	292,122	Age 64
82	293,049	301,115	306,849	310,323	311,607	310,768	311,607	Age 64
83	309,069	318,167	324,887	329,301	331,482	331,497	331,497	Age 65
84	325,410	335,561	343,286	348,659	351,754	352,640	352,640	Age 65
85	342,078	353,303	362,053	368,404	372,432	374,206	374,206	Age 65
86	359,079	371,399	381,195	388,544	393,523	396,204	396,204	Age 65
87	376,420	389,857	400,720	409,087	415,036	418,641	418,641	Age 65
88	394,108	408,685	420,635	430,041	436,980	441,528	441,528	Age 65
89	412,149	427,889	440,949	451,414	459,363	464,872	464,872	Age 65
90	430,552	447,477	461,669	473,214	482,192	488,683	488,683	Age 65
91	449,322	467,456	482,804	495,450	505,478	512,970	512,970	Age 65
92	468,468	487,836	504,361	518,131	529,231	537,743	537,743	Age 65
93	487,997	508,623	526,349	541,265	553,458	563,011	563,011	Age 65
94	507,916	529,825	548,777	564,862	578,170	588,785	588,785	Age 65
95	528,234	551,452	571,654	588,932	603,376	615,071	615,074	Age 65

Let's look at the first three lines of the chart. Let's say, for example, that you live to age seventy-one. If you had elected to receive the discounted CPP pension starting at age sixty, you would have received a total of \$136,259 in COO pension income. Waiting

until sixty-five would have left you with only \$107,897. You would have collected \$28,362 more by starting at age sixty.

Let's say you live until age seventy-eight, the current life expectancy for males according to Statistics Canada. Electing at age sixty-two would have given you the maximum amount of pension: \$238,165 versus \$231,838 if you waited until age sixty-five.

As you can see, it's not until a lifespan of eighty-three years that waiting until age sixty-five yields the maximum pension.

Note that this spreadsheet illustration assumes inflation will be 2.00% per year (the CPP plan is indexed to inflation). When you use it you can input any inflation figure you wish.

Starting the CPP Pension Before Sixty-Five

You need to do one of the following two things:

1. **Stop Working.** For CPP purposes, this means that you are not working by the end of the month before CPP retirement pension begins and during the month in which it begins. For example, if you request that your pension begins in June, you have to stop working by the end of May and you cannot work during the month of June.
2. **Have low earnings.** This means you need to be earning less than the current monthly maximum CPP retirement pension (\$908.75 in 2009) in the month prior to the month your pension begins and in the month it begins. For example, if you had requested that your pension begin in December 2009, you would have needed to earn less than \$908.75 in both November and December 2009.