LIPTON
Chartered Accountants

TAX UPDATE

February 7, 2012

Canada Pension Plan Changes

Canadians are working and living longer, and the Canada Pension Plan (CPP) is evolving to reflect this.

Changes to the CPP were first introduced in January 2011 to be gradually phased in over the next five years.

"Owner-managers should be aware of these changing rules and determine how, or if, they may affect their retirement plans and any required employer/employee CPP contributions," advises Senior Tax Partner Jeff Nightingale.

"Your age at retirement and your timeline for retirement are two key factors to consider in determining how the new CPP rules will affect you. While you can still take CPP at age 60, the amount will be different because it will decrease at a larger percentage than before. Now, if you retire before 65, your pension will be cut by 7.2 percent for each early year, instead of 6 percent under the old rules."

Here are some other key highlights:

- From 2011 to 2013, if CPP is taken after 65, the monthly amount will increase from 0.5% per month (6% per year) to 0.7% per month (8.4% per year)
- Starting in 2012 - if you are under age 65, are working in Canada, and receiving your CPP, employers must still make CPP contributions.
- Between ages 65 and 70, employees can choose to continue to make contributions (in which case employers must also contribute) or opt out via an election. Self-employed persons can also opt out via an election.
- If you began receiving CPP before December 31, 2010 and do not re-enter the workforce, you will not be affected by these changes.
- Starting in 2012 - you are no longer required to stop working or reduce your earnings to receive CPP at age 60.

If you need further information, please contact your Lipton adviser.