MAXIMIZING CANADA PENSION PLAN RETIREMENT BENEFITS

Take the first step toward understanding when and how to apply.

KEY TAKEAWAYS

Deciding when and how to start drawing Canada Pension Plan retirement benefits involves a number of factors specific to each investor's personal situation.

Delaying benefits as long as you can will increase the amount you are eligible to receive.

Consult with your financial advisor to address each decision factor as it pertains to your circumstances, and develop a plan to get the most from your benefits.

CANADA PENSION AS PART OF YOUR UNIQUE RETIREMENT PLAN

Baby boomers - on average - are living longer than any previous generation. While that's good news, it also presents several new challenges. A longer life increases the likelihood that you'll have increased medical and long-term care expenses. The value of your nest egg will be more significantly impacted by increases in the cost of living over a longer term. And, quite simply, you could outlive your money.

When you consider all these factors, it's more important than ever to make calculated decisions about when to begin drawing your Canada Pension Plan (CPP) benefits within the context of your overall retirement income plan. Alongside other sources of income, CPP is a critical asset to plan for in retirement, so it's important to develop a strategy to maximize the value of it. Evaluating a number of decision factors related to these retirement benefits can help you to maximize your income throughout your retirement. In fact, working with your financial advisor to plan for Canada Pension Plan benefits can prove to be one of the most important parts of crafting your retirement plan.

This paper is designed to give you an overview of the critical factors that relate to your benefits. This is the first step to developing a basic understanding of how your CPP benefits work. The next step is to consult with your financial advisor to address each factor as it pertains to you, and develop a plan to get the most out of your benefits when combined with your other sources of retirement income.

If you are considering applying for benefits soon, you're likely concerned with four primary decision factors:

1

Your Age
When should you draw benefits?

2

Your Job
How do earnings impact your benefits?

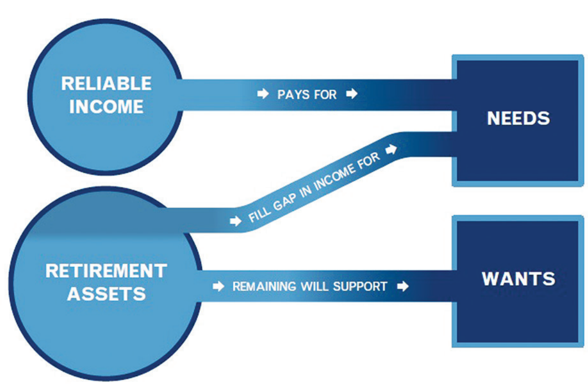
3

Your Taxes
How are benefits taxed when combined with other retirement income?

4

Your Marriage
How do spousal and survivor benefits work?

YOUR RETIREMENT INCOME PICTURE



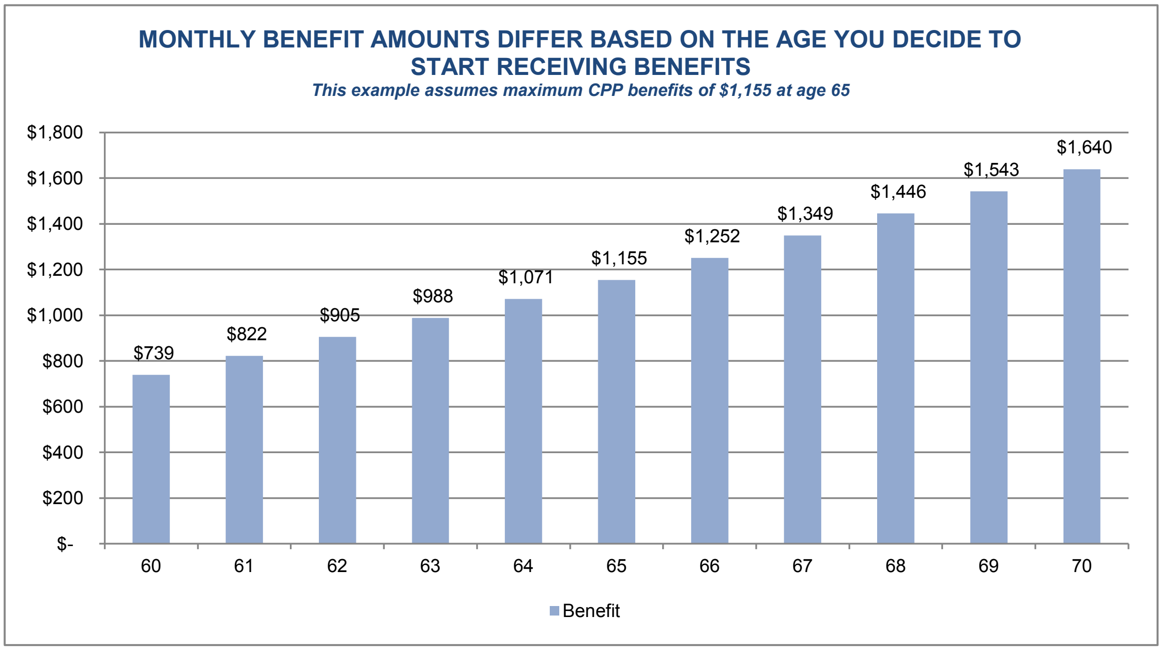
Within your retirement income plan, Canada Pension Plan benefits should be considered a critical asset alongside other sources of retirement income.

KEY ISSUES TO ADDRESS BEFORE DRAWING CANADA PENSION PLAN BENEFITS

YOUR AGE: WHEN SHOULD YOU DRAW BENEFITS?

Perhaps the most impactful decision you can make regarding your Canada Pension Plan benefits is at what age to begin drawing them. Your regular full retirement age on which your pension is based is age 65.

You can begin drawing benefits as early as age 60, but this will permanently reduce the income you are eligible to receive. On the other hand, if you elect to delay benefits until after age 65, you will receive an increased benefit.



Delaying benefits beyond age 65 - up to age 70 - will increase your benefits by 0.7%/month. Conversely, drawing your benefits before age 65 will reduce your benefits by 0.6%/month.

PAYOUT PERCENTAGES BY AGE

Retirement Age	Percentage of full benefits received (%)
60	64.0
61	71.2
62	78.4
63	85.6
64	92.8
65	100.0
66	108.4
67	116.8
68	125.2
69	133.6
70	142.0

YOUR JOB: HOW DO EARNINGS IMPACT YOUR BENEFITS?

The Post-Retirement Benefit (PRB) allows retired individuals to increase their retirement income even if they are already receiving the maximum CPP pension amount. Seniors under age 70 who have chosen to receive CPP benefits and who continue to work can continue to contribute to the Canada Pension Plan to increase their income benefits in following years. Contributions are mandatory for seniors under 65 and optional for seniors over age 65. If elected, the Post-Retirement Benefit will begin the following calendar year and is indexed to inflation.

For each year a valid contribution is made, new PRB will be added to any previously earned PRB. The benefit will be added to your monthly CPP benefit and paid automatically the year following the year of contributions. At age 65, the maximum monthly CPP benefit is $1,154.58 and the maximum monthly PRB is $28.86 (in 2019). The PRB, similar to the regular CPP benefits, is a lifetime benefit and will also be indexed to inflation based on changes to the Consumer Price Index.

YOUR TAXES: HOW ARE BENEFITS TAXED WHEN COMBINED WITH OTHER RETIREMENT INCOME SOURCES?

Canada Pension Plan benefits are fully taxable as income on your annual tax return. The amount of tax payable depends on your total annual income from all sources, including job earnings, pensions, investment interest, RRIF income, etc.

Canada Pension Plan income does count towards calculating whether or not you will have any Old Age Security (OAS) benefits clawed back. OAS clawback begins at a net income before adjustments (line 234 on your T1 General) of $77,580 and is fully clawed back at $125,696 (in 2019).

You can elect to have a portion of your CPP benefits withheld for pre-payment of taxes and remitted to Canada Revenue Agency (CRA) on your behalf. If you are a non-resident of Canada, you may be subject to paying a mandatory withholding tax of up to 25% (depending on the country you reside in).

It's important to consult both your financial advisor and tax professional for guidance on your unique situation.

YOUR MARRIAGE: HOW DO SURVIVOR BENEFITS WORK?

Should you pass away prior to earning or while receiving Canada Pension Plan (CPP) income, there are survivor benefits available for your legal spouse or common law partner.

The first is the CPP death benefit. This is a one time, lump sum payment of $2,500 payable to your estate. Eligibility for this flat rate amount depends on the length of time to which you have contributed to the Canada Pension Plan.

The second benefit is an income paid monthly to the surviving spouse or common law partner. The amount that your spouse/partner will receive depends on how much and for how long you have contributed into CPP and your spouse's age. The table below lists the details of the survivor benefits available:

If the survivor is....	Then the calculation is...
Age 65 or more	60% of the contributor's retirement pension, if the surviving spouse is not receiving other CPP benefits
Under age 65	A flat rate portion PLUS • 37.5% of the contributor's retirement pension, if the surviving spouse is not receiving other CPP benefits

*Source: Service Canada, 2019.

The third benefit is an income paid monthly to dependent children (when there is no spouse), which is payable to dependent children under age 18, or those between 18 and 25 who are attending school or university full-time. This is a flat rate benefit adjusted annually for inflation. This ceases at age 25, or upon completion of school/university no later than age 25, or upon death of the child.

If you are a separated legal spouse and the deceased had no common-law partner, you may qualify for a survivor's pension. Remarriage will not cause the surviving spouse to lose a survivor benefit. If you are widowed more than once, only one survivor's pension - the larger - will be paid.

NEXT STEPS

There are a myriad of different scenarios that may impact your decision about when to apply for - and begin drawing - your Canada Pension Plan benefits. Since each individual's situation is unique, it's important to seek guidance on how to maximize your benefits. Begin the process by meeting with your financial advisor to take a comprehensive look at your unique situation in the context of your overall retirement plan.

WORK WITH YOUR FINANCIAL ADVISOR

Your financial advisor has the tools, resources and expertise to help you understand the decisions you face.

Assess the impact of CPP benefits on your overall retirement plan.

Evaluate key decision factors and understand how they affect your benefits.

Implement your unique plan to maximize the benefits you're entitled to.

Please note that changes in tax laws or regulations may occur at any time and could substantially impact your situation. Raymond James financial advisors do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

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