Alistair and Teresa Murphy emigrated from Wales to Canada 35 years ago. They were 29 and 24 respectively at the time, and recently married. When they left, Alistair had been working as an electrician for 11 years, while Teresa had been a nurse for four years.

Upon arriving in Canada, Alistair continued to work as an electrician, while Teresa joined the local hospital as a nurse. During their time in Canada, the Murphys had three children, each of them born almost two years apart. Teresa took the maximum maternity leave when each child was born. After her third, she decided to work part-time until the youngest was six.

Ten years ago, Alistair was in a car accident while travelling to a customer’s place of business. He was off work for almost two years. During his absence, he received workers’ compensation benefits.

Three years ago, when Teresa was 56, she was diagnosed with breast cancer. Although she has been in remission since completing her treatment, she has been suffering from depression and off work for the last two years. In addition to collecting long-term disability payments from her group insurance plan, Teresa was recently approved to receive the maximum Canada Pension Plan (CPP) disability benefit, which places her in the lowest income tax bracket. Teresa does not expect to return to work. Her workplace disability benefits will be replaced by her employer pension at age 60.

Alistair, now 64, wants to begin working part-time so that he can take Teresa to her medical appointments, travel back to Wales to spend time with his 92-year-old mother, and enjoy time with his grandchildren. While Alistair is healthy and leads a healthy lifestyle, he has seen first-hand that enjoying time with family is important, in light of Teresa’s depression and his father’s fatal heart attack at 67.

The couple is confident that their income and assets will be sufficient to meet their future needs. Alistair and Teresa also have an emergency fund to fall back on if their medical expenses increase. They want to know when they should apply for the CPP retirement pension and Old Age Security (OAS) pension. Neither will be impacted by the OAS recovery tax and Alistair expects to be in a higher income tax bracket than Teresa throughout their retirement.

Knowledge Expectations – Canada Pension Plan

The FPSC Level 1 Certificant in Financial Planning and CFP Professional should be able to:

- Explain that the standard age to begin receiving the CPP retirement pension is 65.

- Explain that Alistair qualifies to apply for his CPP retirement pension now because he is 64 years old, while Teresa will not qualify for her pension payment until she is at least 60 years old.

- Explain that an individual may receive a reduced CPP retirement pension as soon as they turn 60. They may take an increased pension after the age of 65.
• Explain that if Alistair applies for his CPP retirement pension at 64, he will be entitled to a pension that is reduced by 0.6 percent for every month that he receives it ahead of his 65th birthday. If Alistair defers receiving his pension, he will be entitled to a CPP that is increased by 0.7 percent for every month that he receives his pension beyond his 65th birthday.

• Explain that Alistair and Teresa’s CPP retirement pensions will be subject to the amount and length of their contributions to the CPP.

• Explain that Alistair’s CPP retirement pension may not be affected by the time he was off work as a result of his accident. His lowest earning years may be dropped from the calculation of the pension, under the CPP’s “general drop-out provision”.

• Explain that Teresa’s CPP retirement pension may not be affected by her maternity leave or the years working part-time to raise her children, under CPP’s “child-rearing provision”. The provision excludes periods during which an individual’s earnings were reduced for the following reasons: employment stoppages, a reduction in the hours worked, or taking a lower-paying job to be the primary caregiver of a dependent child under the age of seven.

• Explain that Alistair and Teresa can view their respective CPP Statements of Contributions online at the Service Canada website. They may also request a copy by mail for an estimate of their expected pensions at age 65.

• Explain that the couple should review their CPP Statements of Contributions to confirm that the “child-rearing provision” for Teresa and the “drop-out provision” for both of them have been properly accounted for.

• Explain the factors that Alistair should consider in deciding when to take his CPP retirement pension:
  • Income requirements: Explain that, since the couple has projected enough income to meet their needs, Alistair may choose to defer his CPP retirement pension in favour of an increased pension benefit amount for the remainder of his life.
  • Stability of income: Explain that, since most of the couple’s income sources are stable, Alistair may consider deferring his CPP retirement pension in exchange for an increased benefit amount in the future.
  • Life expectancy: Explain that, while Alistair’s father died at the age of 67, Alistair is healthy at 64 and lives a healthy lifestyle. His mother is 92. Also, based on the 2015 Projection Assumption Guidelines, a 64-year-old male is likely to live to age 85. As a result, deferring pension payments may result in maximizing the value he receives over his lifetime.
  • Tax impact: Explain that, while income from the CPP retirement pension is fully taxable, Alistair will not be impacted by the OAS recovery tax even if he defers its receipt to age 70.
  • Individual attitudes: Explain that, since the couple is confident about their financial situation, Alistair may consider deferring the receipt of his government pensions.
  • Potential for survivor benefits: Explain that deferring his receipt of the CPP retirement pension will not provide a higher survivor benefit to Teresa in the event of Alistair’s death, since Teresa currently receives the maximum CPP disability benefit. A surviving spouse is entitled to a combined CPP retirement pension and CPP Survivor’s Pension; the latter is limited to the maximum amount that one person could receive under the CPP retirement pension or the CPP disability benefit, where applicable.

• Explain that Teresa should wait until the age of 65 at least to begin receiving her CPP retirement pension since the maximum CPP disability benefit provides a greater monthly benefit than the maximum CPP retirement pension she could receive.


- Explain that Teresa’s CPP disability benefit and future CPP retirement pension will not be affected by the income she receives from her group disability plan. However, the income she receives from her CPP disability benefit and retirement pension may affect her group disability benefits. Advise Teresa to contact the benefits department of her employer to understand the impact that her CPP disability benefit and future CPP retirement pension may have on her group disability benefits.

- Explain that Teresa and Alistair may share their CPP retirement pensions when Teresa turns 60 to reduce the net taxes they pay as a couple. Direct the couple to the Service Canada website to show them the application and requirements to apply for their CPP retirement pensions, including the ability to share them.

- Direct Alistair to the Service Canada website to learn about application details and requirements to apply for his CPP retirement pension.

- Identify that the couple’s employment in Wales before coming to Canada will not affect their respective CPP retirement pensions.

- Explain the survivor benefits available to Alistair and Teresa in the event of one predeceasing the other.
  - CPP retirement pensions: Explain that upon either of their deaths, the surviving spouse will be entitled to the following: A combined CPP retirement pension and CPP survivor benefit of up to the maximum amount that one of them could receive under the CPP retirement plan or the CPP disability benefit if Teresa is receiving it when Alistair dies.
  - CPP death benefit: Explain that their executor can apply within 60 days of the date of death for the CPP death benefit, which is capped at $2,500.

- Identify that, each year in which Alistair chooses to continue working after age 65, he should assess the value of continuing to contribute to CPP; this is done by estimating the post-retirement benefit relative to the contributions required to earn that benefit. Point Alistair to Service Canada or the Canadian Retirement Income Calculator on the Service Canada website to estimate the post-retirement benefit.

- Identify that should Alistair wish to cease contributing to CPP after age 65, he will need to provide his employer and the Canada Revenue Agency (CRA) with a completed election form.

Knowledge Expectations – OAS Pension, GIS and Allowance

The FPSC Level 1 Certificant in Financial Planning and CFP Professional should be able to:

- Explain that the couple may choose to begin receiving their OAS pensions as of their respective 65th birthdays.

- Explain that Alistair is entitled to receive 90 percent (36/40ths) of a full OAS pension, indexed to inflation when he turns 65, based on his 36 years of residency in Canada.

- Explain that Teresa is entitled to receive a full OAS pension, indexed to inflation when she turns 65, based on her 41 years of residency in Canada.

- Explain that, if the couple decides to defer their respective OAS pensions, they will be entitled to an OAS pension that is increased by 0.6 percent for every month that they receive their pension beyond their 65th birthdays.
• Explain the factors that Alistair may consider in deciding to take his OAS pension at age 65 or to defer it.
  • Income requirements: Explain that the couple has enough projected income to meet their needs. For this
    reason, Alistair may choose to defer the receipt of his OAS pension in favour of receiving an increased
    pension benefit amount for the remainder of his life.
  • Stability of income: Explain that most of the couple’s income sources are stable, including Teresa’s CPP
    disability benefit and group disability benefit. Consequently, Alistair may consider deferring the receipt of
    his OAS pension in exchange for an increased benefit amount in the future.
  • Life expectancy: Explain that, while Alistair’s father died at age 67, Alistair is healthy at age 64 and lives a
    healthy lifestyle. His mother is 92. Also, based on the 2015 Projection Assumption Guidelines, a 64-year-
    old man can expect to reach age 96. As a result, deferring the receipt of the pension may result in
    maximizing the value he receives over his lifetime.
  • Tax impact: Explain that, while the OAS pension is fully taxable and will increase Alistair’s taxable income,
    he will not be affected by the OAS recovery tax. Nor will he be subject to greater tax rates on the extra
    income he receives. From a tax perspective, he should be indifferent about the timing of his first OAS
    pension payment.
  • Individual attitudes: Explain that, since Alistair and Teresa are confident about their financial situation,
    Alistair may consider deferring the receipt of his OAS pension.
  • Potential for survivor benefits: Explain that deferring the OAS pension will not benefit Teresa in the event
    of Alistair’s death because she would not be eligible to receive an increased OAS pension, or an allowance
    for the survivor.

• Calculate that, if Alistair chooses to defer the receipt of his OAS pension until he turns 70, he will receive an
  additional 36 percent on top of his OAS pension than if he retires at age 65.

• Explain that the couple will receive their OAS pensions automatically. Should Alistair choose to defer his OAS
  pensions, direct him to the Service Canada website to complete and submit the application for the deferral.

• Identify that the couple’s employment in Wales before coming to Canada will not affect their respective OAS
  pensions.

Knowledge Expectations – Foreign Government Pension Programs

The FPSC Level 1 Certificant in Financial Planning should be able to:

• Identify that the couple may inquire about their eligibility for a separate pension from the United Kingdom.
  Advise them to contact the appropriate pension authority in the U.K. to find out if they are eligible.

Knowledge Expectations – Workers’ Compensation Programs

The FPSC Level 1 Certificant in Financial Planning should be able to:

• Identify for Alistair that he may be entitled to a retirement income benefit from the workers’ compensation
  program, as a result of the time that he was off work. Direct him to the Association of Workers’ Compensation
  Boards of Canada (AWCBC) website for contact information of the appropriate board in his province or
  territory, which he may inquire with about his eligibility for such benefits.