

ROB CARRICK

Full CPP benefits are a tough goal to reach

PUBLISHED FEBRUARY 19, 2018

Annual Canada Pension Plan retirement benefits will total a maximum \$13,610.04 for 2018 – nothing flashy, but still significant.

Unfortunately, few will get it. In 2016, roughly 6 per cent of CPP retirement-benefit recipients received the maximum, data from Employment and Social Development Canada shows. "That's it – 6 per cent?" financial planner Sheila Walkington said on hearing this number. "Wow, that's amazing."

The CPP is rightly mentioned in every serious discussion of retirement planning. Along with Old Age Security, it's a valuable resource because it pays monthly cash for life and adjusts for inflation. Bummed out about falling stock markets, low interest rates and high investment fees? Payments from the CPP are serenely unaffected by all.

However, there is a tendency to default to the maximum payout when talking about CPP retirement benefits. We'd do better to focus on the average, which, for 2018, is just about \$7,700, or 56.6 per cent of the maximum. In our new [When Should I Start My CPP calculator](#), we use the average CPP retirement benefit while allowing users to plug in the maximum or whatever their personal entitlement is.

Ms. Walkington, Vancouver-based co-founder of Money Coaches Canada, says her clients tend to have family income over \$100,000. In a quick review of 21 retired or soon-to-be retired clients, 43 per cent were getting full CPP and 57 per cent were not. "You can't just assume everyone's going to get the max," she said. "It's more complicated than you think."

Let's take a look at some specific situations that Ms. Walkington found in her review of clients:

- A self-employed man who was in and out of the work force was getting 45 per cent of the maximum.
- A woman who left the work force early was getting 70 per cent.
- A woman who had kids and entered the work force late was getting 30 per cent, while another woman who had three children and was in and out of the work force was getting 73 per cent.
- A woman who was a health-care worker with a stable job was getting the maximum.
- A pair of municipal government employees, a man and a woman, were getting the maximum.

On average, the clients surveyed by Ms. Walkington were on track to get 76 per cent of the maximum. Doug Runchey of DR Pensions Consulting says it's rare for any of the 300 clients he annually talks to about CPP to get the maximum. "I probably see one or two a year," he said.

His explanation starts with the fact that it requires 39 years of contributions to the CPP at the maximum level to get the biggest possible retirement benefit. To top out on your contributions, you need a paycheque that meets or exceeds the yearly maximum annual pensionable earnings threshold, which in 2018 is \$55,900.

People who join the work force late or drop out for a period of time, who retire early or who have low incomes, may not hit the maximum annual pensionable earnings level often enough over the years to get the highest possible CPP retirement benefit. "I see very few of the clients I deal with who have 39 years at the maximum," Mr. Runchey said. "They're few and far between."

Ms. Walkington said her firm has clients get their personalized CPP statements from Service Canada (see our CPP calculator for further details) so a planner can take a close look at how much has been contributed and how much may be coming in retirement benefits.

She says clients are mostly interested in when to take their CPP, which is understandable. The standard age is 65, but you can either take a reduced benefit as early as 60 or an enhanced benefit as late as 70. But it's at least as important to know how much CPP you're on track to receive based on your current situation, particularly if you don't have a workplace pension. The lower your CPP, the more onus there is on you to save on your own.

However much CPP her clients are on track to receive, Ms. Walkington encourages them to see it as a solid base. "It might not be enough to retire on, but I don't want people to think it's useless."