

# The buzz about CPP changes?

By Sam Qureshi, CGA

I have been asked to re-visit CPP changes effective January 1, 2012; have you been wondering how the new Canada Pension Plan rules are going to affect you? I have put together a brief summary of the main highlights.

If you are planning to retire soon, then you need to know what the new Canada Pension Plan rules are.

## 1. Removal of the stop working rule.

This one is a bit of a no brainer and it just makes sense to remove it all together. The rule states that you must have stopped working for two months prior to starting to collect your CPP. You must also be at least 60 years of age. The new rules will eliminate this requirement

## 2. If you want to collect CPP prior to age 65, you will be penalized more than before.

The new rules state that if you begin to collect your CPP benefit prior to age 65, for each month prior to your 65th birthday, you will be penalized 0.6%. The old rule was a penalty of 0.5%. In other words, if you begin to collect your CPP at age 60, you will receive 36% less than if you waited until age 65. This amount increased from the old rule which had a maximum reduction of 30%.

## 3. If you wait to collect your CPP, you will receive an enhanced amount.

For every month you wait beyond age 65 to collect your CPP, you will be rewarded more than you used to be. The maximum enhancement is received if you begin to collect your CPP at age 70. You will receive 42% more than if you began to collect at age 65. In other words, for every month you wait, you will get an extra 0.7%.

## 4. If you begin collecting your CPP and then go back to work, you will have to keep paying CPP to age 70.

The old rules provided for a strategy for retirees to begin collecting their CPP and then go back to work and not be subject to CPP contributions. The new rules eliminate this. So, if you begin collecting CPP and then go back to work, expect to keep paying CPP up until age 65. All contributions will enhance your monthly CPP benefit and after age 65, contribution will now be optional.

If you are planning to retire in the near future; call our office and we will advise you the options available to you.

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