CPP / OAS Checklist

AN ADVISOR'S GUIDE

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The Advisor Guide to the CPP / OAS Checklist

For many of your clients, Canada Pension Plan (CPP) and Old Age Security (OAS) benefits will represent an important source of guaranteed income in retirement. Many of your clients will apply for benefits as soon as they are eligible without much consideration of the bigger picture and the importance of mitigating the risk of outliving their money. Optimizing the lifetime value of government benefits is a key component of an effective decumulation strategy and can help to ensure your client has the lifestyle they want in retirement.

The following questions will help your clients better understand when and when not to consider applying for CPP and OAS benefits as part of their overall decumulation strategy.

The following statements apply to both **CPP & OAS benefits**:

Suggested action should your client answer "Yes" to one or more statements:

- Try adjusting the age to begin CPP and OAS in Step 2 of data entry and compare the results to the client's current plan. You may need to try a few different combinations to find the one that provides the best result based on the client's income goal and available savings.
- **Pro-Tip:** If you subscribe to RazorPlan with Decumulation, you can quickly optimize the age to apply for CPP and/or OAS based on the client's goals and overall financial situation.

CPP & OAS


RAZOR PLAN
Financial Assets
Income Tax
Risk Management
Retirement Options
Flow
Welcome:
Your Account
WaR Optimization
Solve
Save
ANNUAL INVESTMENT SAVINGS
Client
Personal RRSP Contributions
$31,000.00
Spousal RRSP Contributions
Non-Registered Savings
TFSA Contributions
Non-Registered Savings (Joint Account)
$6,500.00
Corporate Investment Savings
$0.00
MONTHLY RETIREMENT INCOME
AGE SETTINGS
RETURN ASSUMPTIONS
INDEX ASSUMPTIONS

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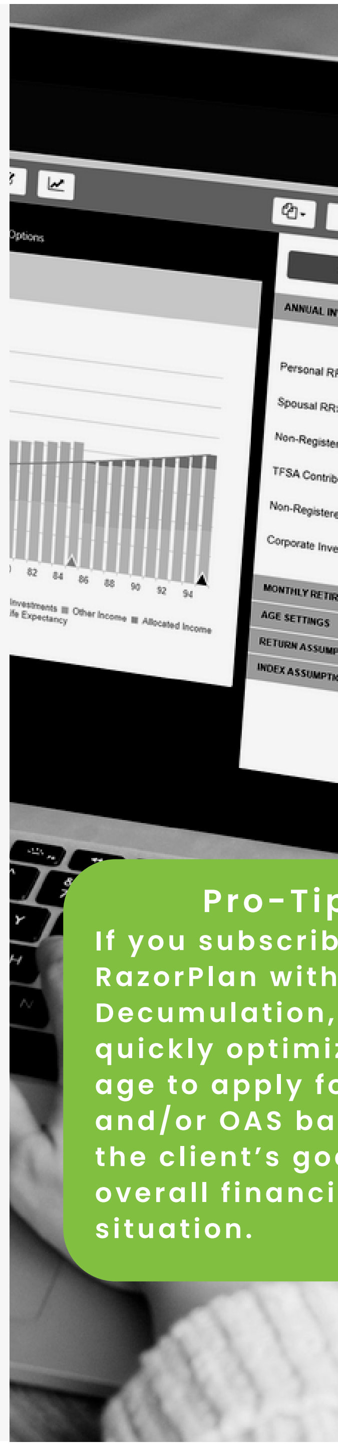
Suggested action should your client answer "Yes" to one or more statements:

- Try adjusting the age to begin CPP and OAS in Step 2 of data entry and compare the results to the client's current plan. You may need to try a few different combinations to find the one that provides the best result based on the client's income goal and available savings.

1) I do not have an indexed pension plan:

When your client does not have an indexed pension plan, they may be at greater risk of outliving their savings due too market volatility and sequence of return. When you recommend deferring the age to begin CPP and/or OAS benefits, your client will receive a larger guaranteed source of income that is fully indexed to inflation and cannot be outlived. This will help to reduce longevity risk and provide long-term financial security.



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2) I am a conservative investor and I avoid taking risks with my investments:

When you have a client with a conservative risk profile, consider a recommendation to delay CPP and/or OAS benefits and replace this income with additional withdrawals from fixed income retirement savings. Although every situation is different, this advice adds value because government benefits are fully guaranteed, indexed to inflation, and provide superior returns compared to other fixed income investments.

- Starting CPP early will reduce monthly benefits by 0.6% for each month before age 65 (7.2% per year or 36% less if they begin at age 60).
- Delaying CPP will increase monthly benefits by 0.7% for each month after age 65 (8.4% per year or 42% more if they begin at age 70).
- Delaying OAS will increase monthly benefits by 0.6% for each month after age 65 (7.2% per year or 36% more if they begin at age 70).

3) I have accumulated significant retirement savings (RRSP, RRIF, LIRA):

When your client has significant registered savings, they may be subject to minimum withdrawals that are not needed to support their lifestyle. Additionally, any remaining savings will be taxed in a lump sum on their terminal return. You may be able to reduce future income taxes by deferring CPP and/or OAS to create a simple withdrawal strategy that reduces the amount of investments that will be subject to tax on the client's terminal return.

4) I plan to continue working past age 65:

When a client plans to work past age 65 you will want to carefully assess the impact this additional income may have on the taxation of government benefits and discretionary income created by making withdrawals from RRSPs. Other unintended consequences, including the claw-back of the age credit and OAS benefits, can also be minimized through proper retirement income planning.

6) I am 10 years older/younger than my spouse:

Advising clients that have an age difference of 10 years or more requires careful analysis to ensure the financial security of the surviving partner. This is even more important when one client qualifies for significantly more in government benefits than the other. Deferring CPP and/or OAS can provide added financial security to the younger survivor.

7) I am in good health and expect to live well into my 80's:

When a client is in good health and expects to live well into their 80's, careful consideration should be given to longevity risk. Advising clients on the benefits of deferring CPP and/or OAS to provide a larger, guaranteed income can significantly reduce the risk of outliving their money.

OAS Benefits

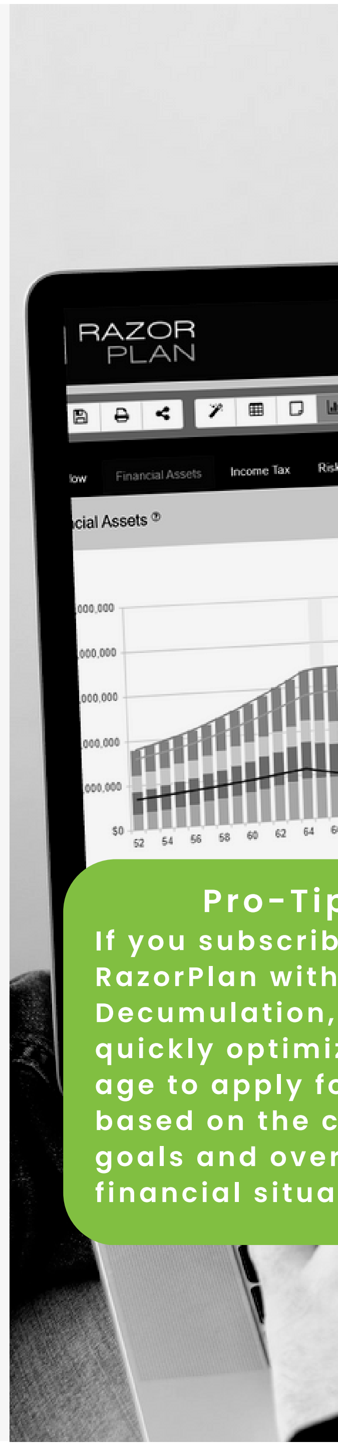
The following statements apply only to **OAS benefits**:

Suggested action should your client answer "Yes" to one or more statements:

- Try adjusting the age to begin OAS in Step 2 of data entry and compare the results to the client's current plan. You may need to try a few different combinations to find the one that provides the best result based on the client's income goal and available savings.

1) I have a business that I plan to sell or that owns an investment portfolio:

Retirement income planning for your business owner clients should include careful consideration of how and when they will sell and/or draw income from business assets. If your client plans to sell or liquidate their business, the strategic timing of OAS benefits can reduce claw-back and increase lifetime benefits. For clients that have incorporated investment assets, deferring OAS will provide maximum flexibility to pay dividends while increasing the OAS benefit and claw-back threshold.



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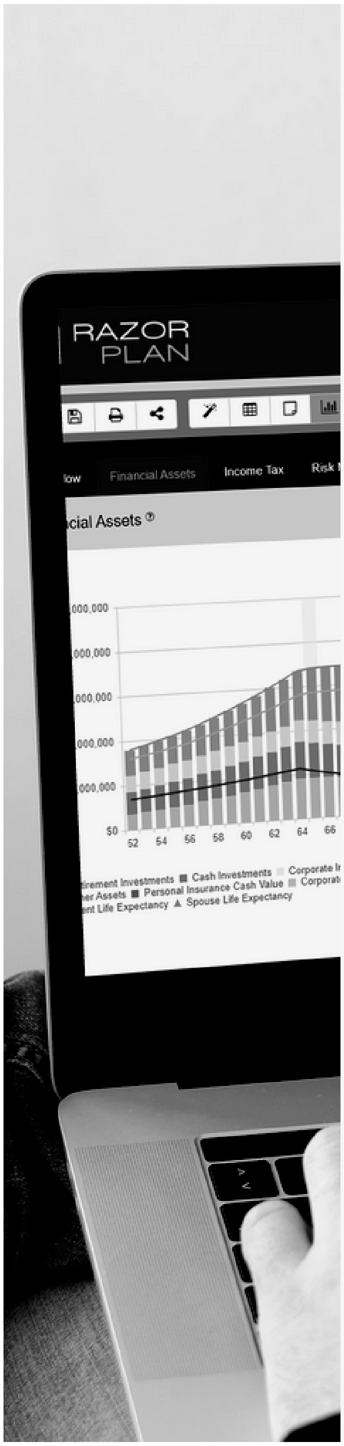


2) I will have taxable income >$86,912 in one or more years between ages 65 and 70:

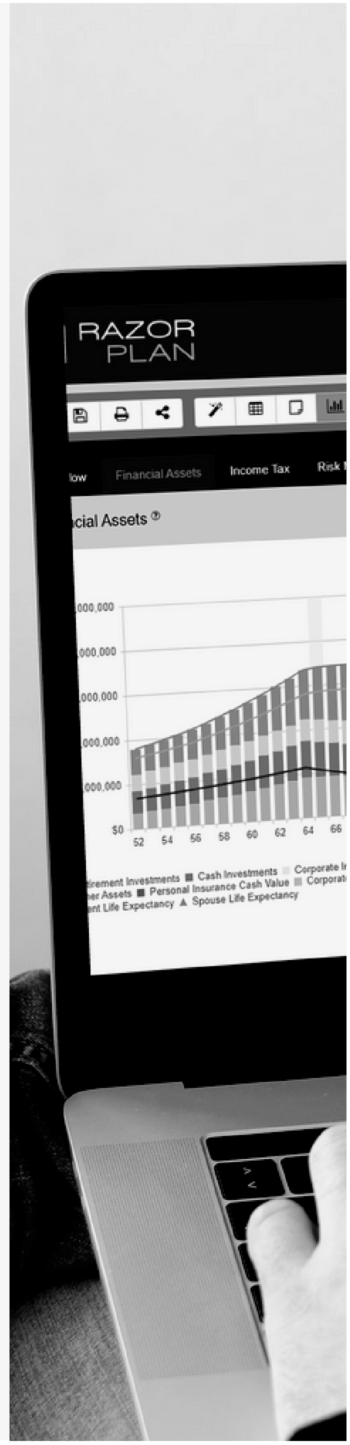
When your client expects to have net income that exceeds the annual claw-back threshold ($86,912 for the 2023 tax year), their OAS benefit is reduced by 15 cents for every dollar above the threshold. When you recommend deferring OAS, the benefit increases by 0.6% for each month or 7.2% per year after age 65. Deferring OAS to age 70 also increases the maximum amount your client can earn before 100% of their benefit is clawed back from $142,124 to $162,000.

3) I own real estate other than my home that I plan to dispose of before age 71:

If you have a client that plans to sell real estate such as a cottage or rental property before age 71, you have an opportunity to add value by assessing the impact the potential capital gains will have on the OAS claw-back threshold.

4) I file my income taxes as a single taxpayer:

When your client is a single taxpayer, there is no ability to split income with a lower-income spouse. This creates an opportunity to add value by assessing the impact on OAS that different types of income will have. Strategies that reduce taxable income can help to reduce the claw-back of OAS and increase lifetime benefits.



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