

## Why Saving for Retirement is Essential



If you're one of the [55% of Canadians](#) living in the prairies who have no retirement savings plan, this article's for you.

A surprisingly large number of Canadians are expecting to rely on government pension benefits when they come to retire. However, this may be a seriously flawed plan. We take a close look at the different retirement benefits available and crunch the numbers to work out how much you might receive.

If you're hoping for government benefits to see you safely through retirement, you need to read on.

### What to expect from the Canada Pension Plan

While many people expect the CPP to contribute significantly to their retirement income, few people know exactly how much they'll receive.

The amount varies from person to person and depends on several factors:

- The age when you started to contribute and the age you start collecting it
- The amount you've contributed
- Your earnings

While the maximum CPP payment, if drawn at age 65, is \$1,175.83 per month, you need to have made the maximum contributions over a long period of time to qualify for it. The reality is that [the average CPP amount, if started at age 65, is only \\$672.87](#). And this is taxable income.

**Bump up your CPP by delaying it**

If you start to receive CPP before you turn 65, [the amount decreases by 0.6%](#) for every month to a maximum reduction of 36% (at age 60).

Conversely, for every month you defer payment after 65, the amount increases by 0.7% every month, to a maximum of an extra 42%. The table below shows the difference in the average CPP payments when taken at different ages:

Age	Average monthly CPP payment
60	\$430.64
65	\$672.87
70	\$955.48

### OAS and GIS

Old Age Security starts at 65, though you can delay receiving it until 70, which increases the amount by 36%. The amount you receive depends on how many years you've lived in Canada after your 18<sup>th</sup> birthday.

If you've lived less than 40 years in Canada, [your payment will be reduced by 1/40](#) for every year below 40.

The maximum monthly payment is [currently \\$613.53](#), and depends on your annual income (the maximum is \$128,137). OAS is also taxable income.

The most that you'll receive from the Guaranteed Income Supplement is [\\$916.38](#) monthly (and *not* considered taxable income), but this amount depends on your marital status, your spouse's GIS pension and your income.

If you don't receive a full OAS pension, you would have to contact [Old Age Security](#) to find out how much GIS you might receive. GIS is clawed back in increments up to an income of \$18,600, at which point you would not qualify for GIS.

**The figures: what you might expect to receive in government retirement benefits**

If you qualify for the average CPP monthly payout of \$672.87, your annual income would be \$8,074.44. If you have no other income, you could receive \$1,067.91 per month in OAS and GIS or \$12,814.92 per year, *if you qualify for the full OAS pension.*

Your total annual income would therefore be **\$20,889.36.**

Even if you've paid off your mortgage by the time you retire, you'd still need to cover your housing costs, groceries, gas and other monthly essentials. There wouldn't be much left over to enjoy your retirement.

### Living the retirement you want

It's clear that retiring with no company pension or retirement savings would be a very frugal experience. You might not be below the poverty line, but you wouldn't be living the high life either.

That's why getting help to build a solid retirement plan is essential. Cornerstone CU's specialists can look at your finances and help you to work out how much you'll need to save to have the retirement you want. Call us at 1.855.875.2255 and let's plan your retirement.