

Public Pension and Income Security

CHENG-CHUNG YU PROFESSIONAL CORP.

Chartered Accountant & Business Advisor

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CHENG-CHUNG YU
PROFESSIONAL CORPORATION
Chartered Accountant & Business Advisor

Introduction of Our Firm

- Started since 2002
- Major services
 - Accounting, taxation, financial planning and business advisory
- Owner with 20+ years of multinational work experience
 - Expertise: public accounting, commercial banking, corporate finance and strategic planning
 - Credentials: MBA, CA, CFA, CFP
- www.yupc.ca

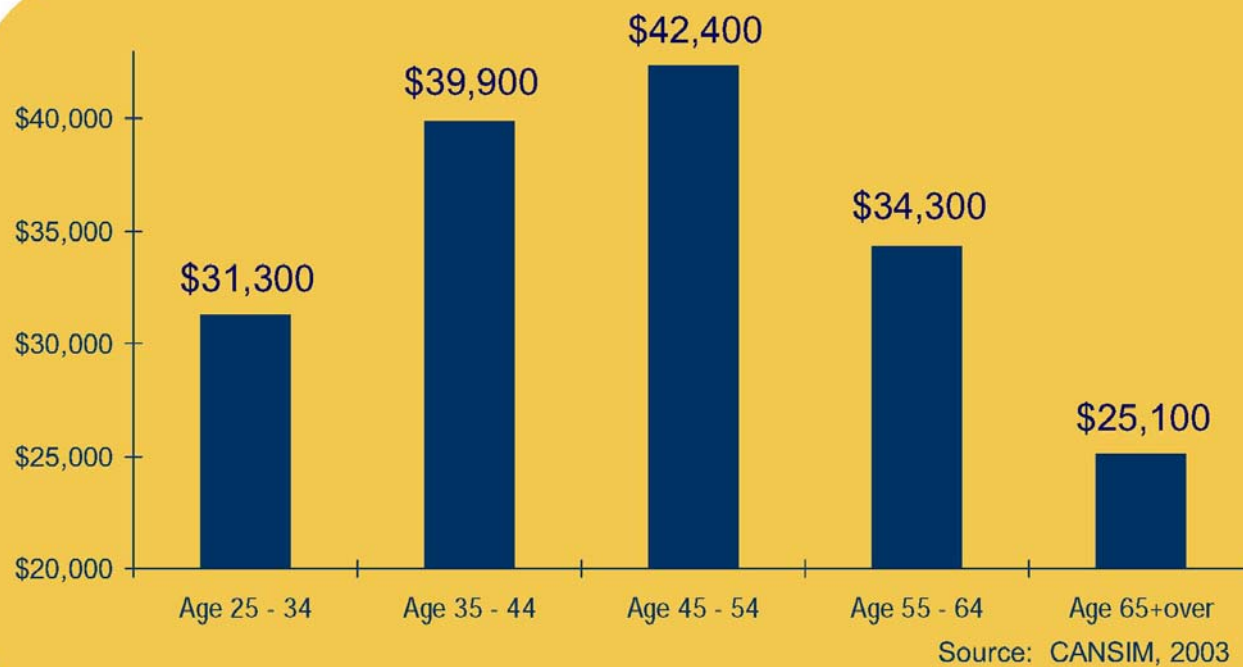
Retirement Income

- Primary: RRSP, RPP
- Secondary: home, savings
- Supplementary: CPP/OAS/GIS/Allowance

Canadians need 65% to 80% pre-retirement income replacement.

Average Canadian Incomes

Average Canadian Incomes



Expenses in Your Retirement Years

Your Expenses in Your Retirement Years

Stay the same

- Groceries
- Property taxes
- Homeowner's Insurance
- Utility bills
- Rent

Decrease

- Mortgage
- Cost of Education
- Work-related expenses
- Personal Taxes
- Downsize home
- No RRSP Contributions

Increase

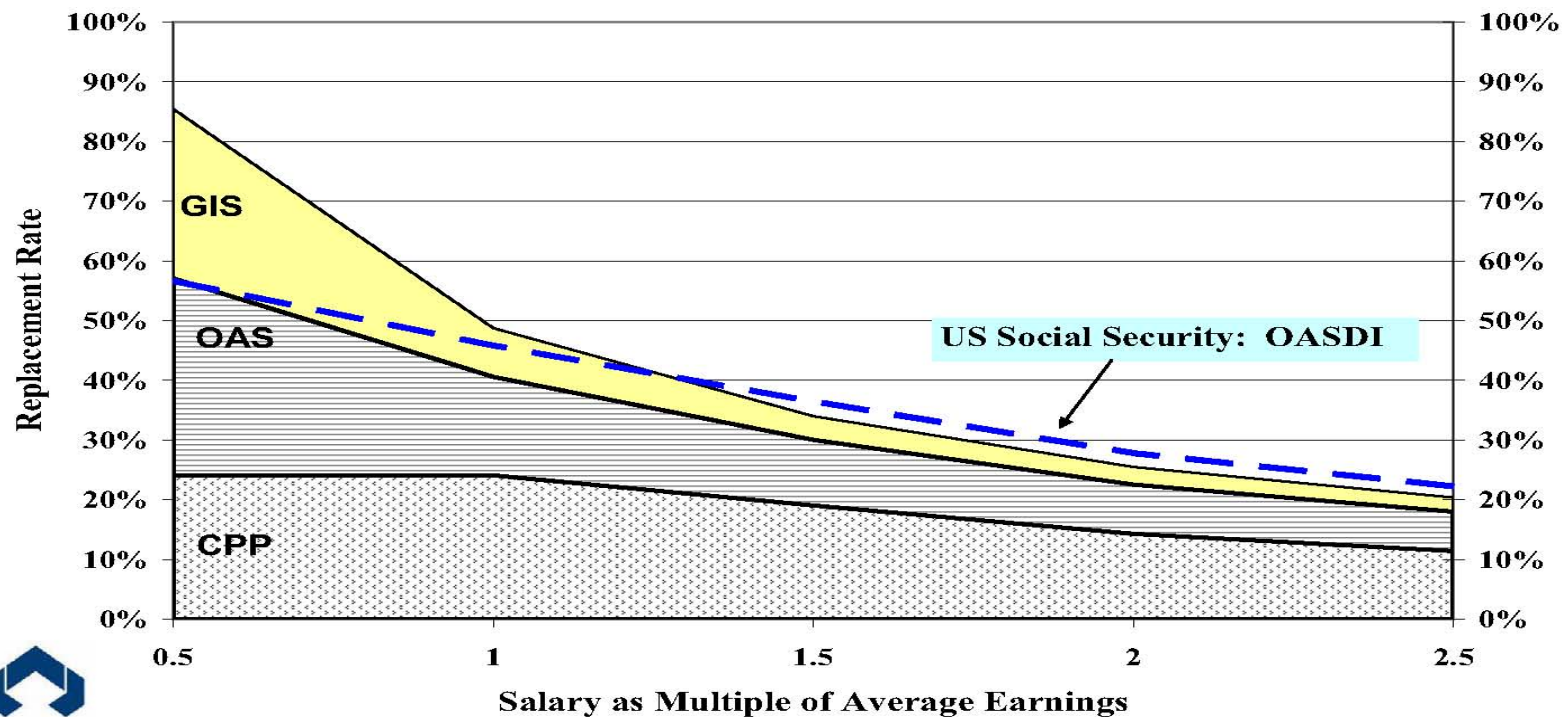
- Drug Costs
- Elder or dependent care
- Hobbies
- Entertainment
- Travel
- Dental Care

Canadian Retirement Security

- Full funding (RPP/RRSP)
- Partial funding (CPP/QPP)
- Pay-as-you-go funding (OAS/GIS)

Income Replacement Rate of Public Pension Plans

Income Replacement Rate of Public Pension Plans (Canada and United States, 2006)



Life Expectancy

(with future improvements)

For a newborn				
	1966	2007	2050	2075
Males	79.0	84.5	87.4	88.8 (+2.0)
Females	83.4	87.7	90.2	91.5 (+1.8)
For a person aged 65				
	1966	2007	2050	2075
Males	14.1	19.3	21.9	23.1 (+1.7)
Females	18.5	22.0	24.2	25.4 (+1.3)

Source: Office of the Chief Actuary, OSFI

Canada Pension Plan

- Instituted in 1965 as a national contributory, earnings-related social insurance system
- Designed to replace 25% of the earnings
- Provide retirement, disability and survivor's benefits
- Administered by Service Canada; premiums collected by CRA; assets invested by CPP Investment Board

CPP Basics

- Compulsory participation by employees or self-employed workers aged 18 to 65
- YBE (year's basic exemption) = \$3,500
- Right to CPP irrevocable: paid even if contributor leaves Canada
- All benefits must be applied for

CPP Contributions

Year	Max. Annual Pensionable Earnings	Basic Exemption	Maximum Contributory Earnings	Employee Contribution Rate (%)	Max. Annual Employee Contribution	Max. Annual Self - Employed Contribution
2009	\$46,300	\$3,500	\$42,800	4.95	\$2,118.60	\$4,237.20
2008	\$44,900	\$3,500	\$41,400	4.95	\$2,049.30	\$4,098.60
2007	\$43,700	\$3,500	\$40,200	4.95	\$1,989.90	\$3,979.80
2006	\$42,100	\$3,500	\$38,600	4.95	\$1,910.70	\$3,821.40
2005	\$41,100	\$3,500	\$37,600	4.95	\$1,861.20	\$3,722.40
2004	\$40,500	\$3,500	\$37,000	4.95	\$1,831.50	\$3,663.00
2003	\$39,900	\$3,500	\$36,400	4.95	\$1,801.80	\$3,603.60
2002	\$39,100	\$3,500	\$35,600	4.7	\$1,673.20	\$3,346.40
2001	\$38,300	\$3,500	\$34,800	4.3	\$1,496.40	\$2,992.80
2000	\$37,600	\$3,500	\$34,100	3.9	\$1,329.90	\$2,373.00
1999	\$37,400	\$3,500	\$33,900	3.5	\$1,186.50	\$2,373.00
1998	\$36,900	\$3,500	\$33,400	3.2	\$1,068.80	\$2,137.60
1997	\$35,800	\$3,500	\$32,300	2.925*	\$944.78	\$1,889.55

CPP Benefits

- Eligible with at least one valid contribution
- Can apply for CPP at age 65
 - Early application at age 60 for 70% benefits
 - Late application at age 70 for 130% benefits
- Benefits = 25% of average (max pensionable earnings in last five years)
 - About \$900 max currently
- CPP disability benefits: paid to a disabled person under 65 years of age
- CPP survivors' benefits: death benefit, spouse's benefits, orphan's benefit
 - Minimum of three years' contributions to qualify

CPP Payment Rates

Type of benefit	Average monthly benefit (May 2009)	Maximum monthly benefit (2009)
Disability benefit	\$816.14	\$1,105.99
Retirement pension (at age 65)	\$501.32	\$908.75
Survivors benefit (under age 65)	\$366.69	\$506.38
Survivors benefit (age 65 and over)	\$298.52	\$545.25
Children of disabled contributors benefit	\$213.99	\$213.99
Children of deceased contributors benefit	\$213.99	\$213.99
Combined survivors & retirement benefit (pension at age 65)	\$714.94	\$908.75
Combined survivors & disability benefit	\$974.69	\$1,105.99
Death benefit (max lump sum)	\$2,268.87	\$2,500.00

Old Age Security

- First introduced in 1927
- Administered by Service Canada; funded by general federal tax revenues
- Payable at age 65
- 40 years of residency in Canada after age 18 for a full pension
 - A minimum of 10 years' residency for a partial pension
- Employment history not a factor in determining eligibility; does not need to be retired to receive OAS
- Taxable through clawback

OAS Application

- Should apply six months prior to eligibility
- Retroactive payments for up to 12 months for late application
- Residency of 20+ years qualify to receive payment outside of Canada indefinitely
 - 20- years' residency qualify for 6 months' payment after departure
- Portable to certain countries with reciprocal social security agreements including U.S.A.

Guaranteed Income Supplement

- Started in 1967
- Eligible to OAS recipients with no or little income
- GIS benefits not taxable
- Must re-apply annually by filing an income statement or by completing an income tax return by April 30

Allowance (Spousal Allowance)

- Designed as a bridging benefit (until OAS begins)
- For pensioners' spouses aged 60-64 meeting residency requirement and income test

OAS, GIS and SA Payment Rates

October - December 2009				
Type of Benefit	Recipient	Average monthly benefit	Maximum Monthly Benefit	Maximum Annual Income
		(May 2009)		
Old Age Security Pension	All recipients	\$489.53	\$516.96	See note
Guaranteed Income Supplement	Single person	\$447.70	\$652.51	\$15,672
	Spouse of pensioner	\$278.26	\$430.90	\$20,688
	Spouse of non-pensioner	\$428.12	\$652.51	\$37,584
	Spouse of Allowance recipient	\$366.88	\$430.90	\$37,584*
Allowance	All recipients	\$384.94	\$947.86	\$28,992
Allowance for the survivor	All recipients	\$593.24	\$1,050.68	\$21,120

Summary

Type	Average	Maximum	Determinant
CPP	\$501	\$909	Past contributions
OAS	490	517	Resident years
GIS	278	431	Low income
Monthly	1,269	1,857	
Annual	15,228	22,284	