

IMPORTANT 2012 CHANGES TO THE CPP AND QPP PROGRAMS

RETIREMENT

The Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) are government income programs designed to supplement the personal savings, pensions and other sources of income of retired Canadians. Starting in 2012, these programs will undergo several changes which, if you are close to retiring, may impact how and when you choose to retire from work and apply for CPP or QPP benefits.

Changes to the CPP

Pension amounts will be lower if taken before age 65

The current age set by the government for retirement is 65. If you chose to take your CPP retirement benefit early – between the ages of 60 and 65 – your benefit is reduced by 0.5% for each month of early retirement before you turn 65. Under the new rules, the amount of that monthly reduction is set to increase by 0.02% per year until peaking at 0.6% in 2016, which means you will lose more money if you elect to receive your CPP benefits before 65. Speak with your Advisor for more details.

Pension amounts will be higher if taken after age 65

If you decide, instead, to delay receiving your CPP benefits – until anytime between the ages of 65 and 70 – your benefit is increased by 0.5% for each month you defer your pension after you turn 65. Under the new rules, this pension bonus is set to increase gradually until it hits 0.7% in 2013, which might make it more attractive for you to delay retirement. Your Advisor can provide you with more information.

CPP QUICK FACTS FOR 2012

- The maximum CPP retirement benefit for new recipients will increase from \$960 to \$986.67 per month on January 1, 2012
- CPP benefits are revised annually and increase in step with the cost of living, as reflected in the Consumer Price Index
- As of January 1, 2012, benefits have increased by 2.8% for those already receiving CPP
- Retirees who began collecting CPP benefits December 31, 2010 and earlier are unaffected by current changes, provided they remain out of the workforce

Should you or shouldn't you retire now? Your Advisor can help.

The decision of when to retire is rarely an easy one. In addition to financial considerations, there are a wide range of factors that may influence the timing of your decision to retire, including:

- Current and future employment opportunities
- Tax considerations
- Sources of retirement income, both government and personal
- Your health
- Your family's health
- Your individual retirement goals

Your Advisor can play an important role in this process. They are familiar with your personal and financial situation and have the expertise and tools to provide you with a number of "what-if" scenarios when it comes to retiring before, at, or after age 65.

RETIREMENT

Elimination of the Work Cessation Rules

Before 2012, to begin receiving a CPP retirement pension before the age of 65, you would have had to “substantially” cease working – defined as not working at all, or having a significantly reduced income for a period of two months.

Beginning in 2012, the “work cessation” requirement has been eliminated. This means that you can continue to work while receiving CPP retirement benefits, which allows for a smoother transition into retirement.

Introduction of the New Post-Retirement Benefit (PRB)

The Post-Retirement Benefit is a new lifetime benefit that increases your retirement income and rises with increases in the cost of living, even if you already draw the maximum pension from the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP). Beginning in 2012, if you decide to receive CPP retirement benefits while still working, you can choose to continue to make CPP contributions from your earnings. These contributions are mandatory for CPP and QPP retirement pension recipients aged 60 to 65. If you are at least 65 but under 70 years of age, you can choose not to contribute. Whatever you contribute, though, will go toward your PRB, gradually increasing your retirement income. Any contributions you have made to your PRB are paid out automatically the year following your contributions. Your Advisor will have further details.

Changes to the QPP

The QPP, while similar to the CPP in most regards, has also instituted changes that differ somewhat from the changes described above. These changes do not apply if you are currently receiving QPP benefits.

Increase in contribution rate

Since 2003, the QPP contribution rate has been set at 9.9% (4.95% from employee, 4.95% from employer). Beginning in January 2012, the contribution rate will be increased by 0.15% per year until 2017 when it will reach 10.8% (5.4% from employee and 5.4% from employer).

Benefit changes for those choosing early retirement

Beginning in 2014, the QPP will be increasing the maximum amount by which your pension will be reduced for each month of early retirement before you turn 65. Currently, the monthly penalty is 0.5%. In 2014, the maximum amount of the reduction will begin to rise, growing to 0.6% in 2016; the minimum amount of reduction, though, will remain at 0.5%. The reduction applied to your benefit will fall somewhere within this range depending on your income, with a higher income translating into a larger benefit cut. These changes will not apply, though, to anyone born before January 1, 1954.

Benefit changes for those choosing later retirement

Similar to the changes announced in the CPP, *starting on January 1, 2013*, if you defer receiving your QPP pension benefit until after you turn 65, the amount of additional benefit you receive is set to increase. Currently sitting at 0.5%, the monthly benefit will rise to 0.7% for every month you delay retirement after 65, to a maximum of 60 months.

Your Advisor can provide you with more information on both of these benefit changes.

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