

# Canadian Pension System

All you need to know from an emigrant point of view

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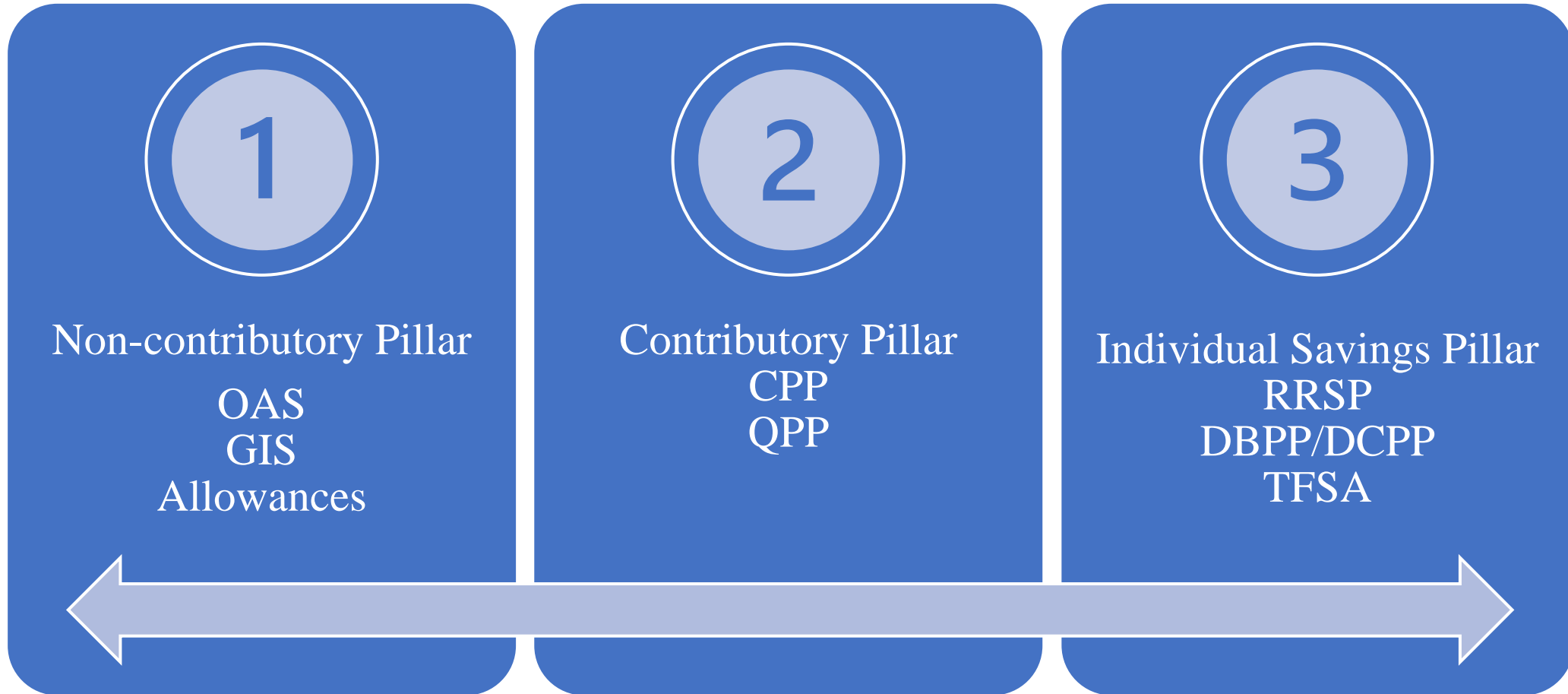
- Wealth advisor, helping companies and retail clients to structure their savings & financial goals and putting together a plan to be able to achieve them
- Experienced in providing service to dual citizens looking to generate wealth in Canada and retire in another country.



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# Pillars of the Canadian Pension system



# Non-contributory Pillar

- Old Age Security (OAS)
  - Financed by General Revenues
  - Taxable Income
  - Could be clawed back by CRA based on annual income.
  - Eligibility based on residence
    - Having worked is not mandatory
  - Included in agreement between Canada and Spain as pensionable income
    - Under certain criteria, years lived in Spain as a Canadian citizen can be counted as years lived in Canada
  - Possibility to change or defer (not anticipate) the OAS
    - Monthly increases of 0.6% up to 70 years of age.



# OAS Payments

Age	Maximum monthly payment amount	Your annual net world income in 2021 must be
65 to 74	\$691.00	Less than \$129,757
75+	\$760.10	Less than \$129,757

- If your annual income is \$79,845 (2021) or higher CRA will claw back a portion of your OAS
- If your annual income is \$129,757 (2021) or higher, CRA will fully claw back your OAS

# Non-contributory Pillar

- Guaranteed Income Supplement (GIS)
  - Financial aid for the OAS pensioner with lower income
  - Non taxable
  - Mandatory to live in Canada
- Allowance & Allowance for survivor
  - Financial aid for spouses of GIS pensioners and widowers.
    - Focused on the lowest income pensioners.

# GIS & Allowances

Situation	Maximum Monthly GIS	Annual Income
Single, widowed or divorced	\$1,032.1	Less than \$20,952

Situation	Maximum Monthly Allowance	Combined annual income
Spouse receiving GIS & Full OAS	\$1,312.25	Less than \$38,736

Situation	Maximum Monthly Allowance for the Survivor	Annual income
Widower	\$1,564.30	Less than \$38,736



# Contributory Pillar

- Canada Pension Plan (CPP)
  - Contributory pension based on earnings – ceiling on earnings \$64,900 (2022)
  - Fuller funding – higher level of reserves
  - Investments managed by CPP Investment Board (CPIB) (\$536B)
  - Mandatory contribution for both employees and employers
  - Taxable income
  - Eligibility: Have contributed at least once to the CPP
  - Part of the agreement between Spain and Canada as pensionable income
    - Avoidance of double taxation risk
  - CPP could be anticipated or deferred
    - Monthly increase of 0.7% up to a maximum of 70 years of age.
    - Monthly decrease of 0.6% up to a maximum of 60 years of age.





# Contributory Pillar

- Canada Pension Plan (CPP)
  - Additional features
    - CPP Survivor's pension
    - CPP Surviving Child's pension
    - CPP Death Benefit
    - CPP Disability pension.

# Individual Savings Pillar

## 01

### Registered Retirement Plans

- Individual RRSP
- Group RRSP
- Pooled RRSP

## 02

### Pension Plans

- DCPP
- DBPP

## 03

### Other savings plans

- TFSA's
- FHSA's
- RESP's



# Individual Savings Pillar

- Registered Retirement Savings Plan – Individual
  - Eligible contribution – tax deductible
  - Voluntary contributions
  - 18% of the past year earnings (max. \$29,210 in 2022)
  - Tax sheltered as long as investments are kept within the RRSP
  - Compounded growth within the plan
  - Great number of different investment vehicles to be used within the plan, from cash to stock.
  - RRSP withdrawals taxed as income:
    - The year of the withdrawal, this will be taxed as earned income
  - Recognized as pensionable income in the agreement between Spain & Canada – avoidance of double taxation
  - Age limit (71 year old – conversion to RRIF or another alternative)



# Individual Savings Pillar

- Registered Retirement Savings Plan - Group
  - RRSP sponsored by the employer for its employees
  - Advantage of automatic savings for employees
    - Automatic contributions from each paycheck
  - Advantage of fostering employee loyalty
    - Employers could match contribution or top them up.
  - Contributions from employees – tax deductible
  - Contributions from employers – Operating expenses
  - Outsourced to third party financial institutions (iAPW) specialized in creating turnkey portfolio solutions.
  - Employees choose portfolios and % of contribution



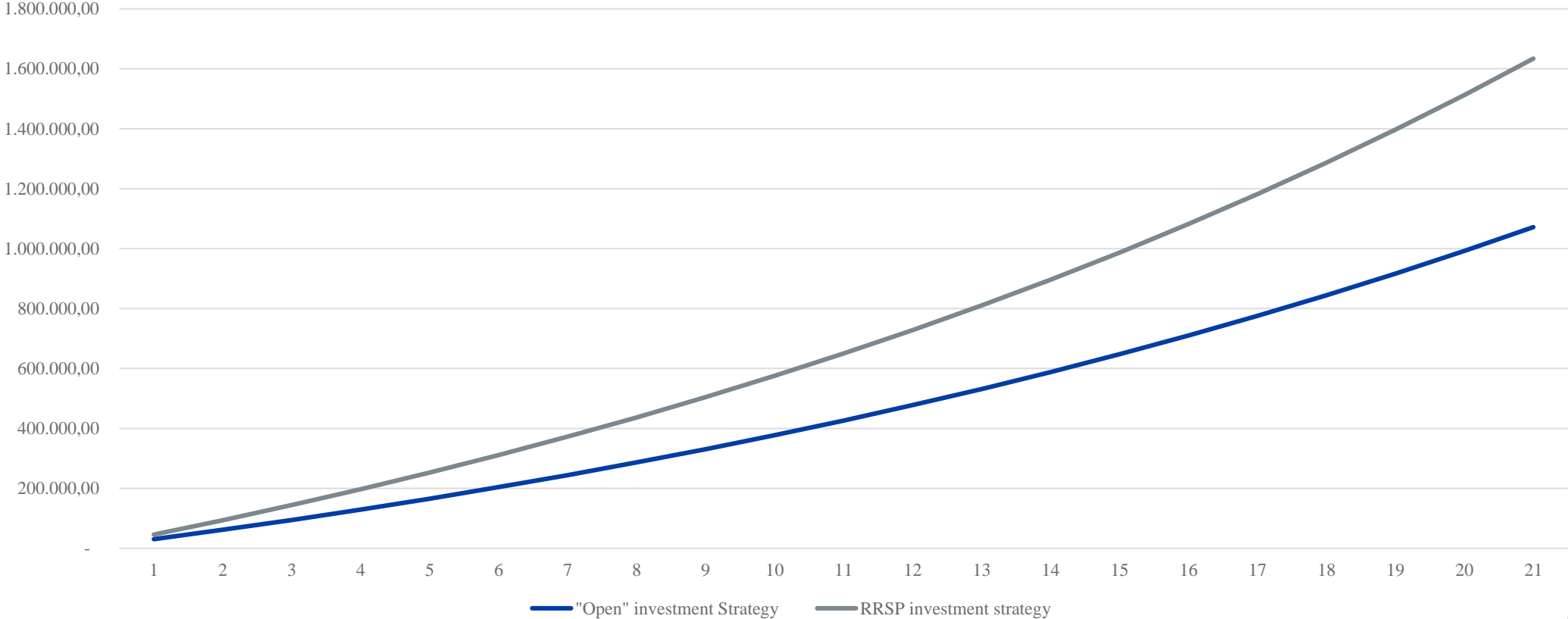
# Individual Savings Pillar

- Investment strategy – RRSP investments vs. Non-Reg investment, assumptions:
  - Ontario Tax Payer - \$150k annual income
  - Maximizes RRSP ~ \$30k/year
  - Invests in a non-reg the tax relief from the contribution (~\$15k)
  - Annual ROI 5%. Out of which
    - 50% Capital Gains – 20% of which are realized annually
    - 25% Dividends
    - 25% Interest Income
  - Scenario run by Retirement Projection Software – Equisoft/plan



# Individual Savings Pillar

Investment RRSP vs. Open



# Individual Savings Pillar

- **Defined Contribution Pension Plan:**
  - Similar to a Group RRSP
    - Group RRSP – Investments outsourced to a third party financial institution
    - DCPD – Investments managed by the employer
  - Less flexibility – “withdrawal rules” part of these funds must be kept in the plan until retirement.
- **Defined Benefit Pension Plan**
  - Pension plan managed by the employer
  - Risk taken by the employer
  - Employee knows in advance the amount to be received at retirement
  - The amount to be received at retirement is fixed, with independence of ROI
  - Less flexible.



# Individual Savings Pillar

- Tax Free Savings Account – TFSA
  - Contributions are not deductible
  - Voluntary contribution
  - Not part of the agreement between Spain and Canada – Risk of double taxation
  - Contribution based on residence – no earnings
  - \$6,500 additional contribution room in 2023.
  - Once in the plan – growth and income are tax exempt.
  - Great tool for “parking money”
  - Part of investment strategy to shelter return on interest income
  - No penalties on withdrawals and re-contributions





Thank you!



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