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## Proposed Changes to the Canada Pension Plan

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On May 25, 2009 Finance Canada announced some proposed changes to how Canada Pension Plan will work.

If approved, the changes will take effect over a period of time from 2011 to 2016, so they will affect anyone planning to retire after 2010.

Below is a brief summary of some of the most important changes:

**Early retirement (before age 65)** will result in a reduction in CPP benefits by 7.2% per year, which is up from the traditional 6%. This means that if you begin to take your pension at age 60, your payments will be cut by 36%, not 30%.

On the flip side of this, **late retirement** (after age 65 but before age 71), CPP benefits will be increased, not by 7.2% but by 8.4%, which is up from the traditional 6%. this means that if you wait until age 70 to take your CPP, the benefit payments will be 42% higher, compared to the 30% higher today.

If you want to begin **to collect CPP while you are still working** (which may happen in a recession such as this because people are having to get new employment that does not pay as much as the last job did so they need to supplement their income), then instead of having to stay out of work for 2 months like you do now, you can begin to collect CPP at age 60 even if you continue to work - AND after age 65 if you are collecting CPP but want to continue to work, the proposal is that you can contribute to CPP again through your work in order to increase your benefits.

The **calculation for CPP will change** as well - currently the lowest 7 years of earnings is deleted from the calculation - under the proposals, the lowest 8 years will be omitted so that the benefits are not weighed down by low earning years.

For further details about these proposed changes, you can visit the Department of Finance website directly ([click here](#) [1]) for more information.

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## Questions about retirement planning?

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[1] [http://www.fin.gc.ca/n08/data/09-051\\_1-eng.asp](http://www.fin.gc.ca/n08/data/09-051_1-eng.asp) [2] <https://bordenfinancial.ca/contact-us> [3] <https://bordenfinancial.ca/taxonomy/term/13>