

Analysis of Drawing Canada Pension Plan (C.P.P.) Benefits Early

Proposal For: **John Smith**

ASSUMPTIONS

Client Date of Birth	6-Nov-1938
Current Age	71 Years & 11 Months
Proposed Start Date for C.P.P.	6-Mar-2002
Age at C.P.P Start Date	63 Years & 4 Months
Current Maximum C.P.P. at age 65	934.17

Months Prior to Age 65 to Receive Pension	20
Discount Applied	10.00%
Reduction by Starting Early	93.42

	Future Value of Funds at Age 65				
Pension at Proposed Start Age:	840.75	Projected Accumulations			
Rate of Return Assumed on Early payments	3.00%	5.00%	7.00%	9.00%	
Payments to receive prior to age 65	16,815.06	17,220.47	17,497.59	17,780.33	18,068.81
Monthly Annuity from age 65 for 25 years		81.66	102.29	125.67	151.63
Monthly Annuity at 65 is greater than pension reduction by:		-\$11.76	8.87	32.25	58.22
Recommend to Start C.P.P.?		NO	YES	YES	YES

Pension Starting at Other Ages

Based on Current Maximum

Age When C.P.P. Starts (in full years)	60	61	62	63	64	65
Percent Reduction at Age Shown	-30.00%	-24.00%	-18.00%	-12.00%	-6.00%	0.00%
Dollar amount of monthly reduction	-280.25	-224.20	-168.15	-112.10	-56.05	0.00
Net Amount of Pension	653.92	709.97	766.02	822.07	878.12	934.17
Payments to receive prior to age 65	39,235.14	34,078.52	27,576.70	19,729.67	10,537.44	0.00
Age required to offset revenue lost prior to 65	76.67	77.67	78.67	79.67	80.67	n/a
Time Value of Money Received	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%
With Time Value of Money -Break Even Age	78.22	78.99	79.71	80.39	81.03	n/a
Payments received in year	7,847.03	8,519.63	9,192.23	9,864.84	10,537.44	11,210.04
Total Account Value at age 65	44,470.47	37,638.94	29,685.81	20,704.58	10,782.31	0.00
Monthly annuity from age 65 for 25 years	259.97	220.03	173.54	121.04	63.03	0.00
Annuity at 65 is greater than pension reduction by:	-20.28	-4.17	5.39	8.94	6.98	0.00
Recommend to Start C.P.P. Prior to age 65?	NO	NO	YES	YES	YES	N/A

Note:

May be entitled to a different amount based on "Carve Out" for years raising children when they were under 7 years of age.
 Benefit is calculated on contributions for 85% of eligible years employed. Lower earnings years will be excluded resulting in a higher pension.
 A "Division of Earnings" from end of a marriage will affect benefit to be received.
 Health and life expectancy of pensioner will have a bearing on decision to start early.
 Advantage of drawing C.P.P. early will also depend on assumed rate of return on pension payments received.
 Indexing of pension after age 60 is assumed to be the same rate as increases to pension at age 65.
 From age 60 to age 65 reduction is .5% per month prior to age 65, or additional .5% per month after age 65 to age 70.
 Consider splitting pension with spouse for income tax splitting purposes.

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E. & O. E.

Prepared by:
Kevin A Jones, FMA
BTN Financial Services Inc.
 Phone: 604.393.7790
 info@btnfinancialservices.com
 www.btnfinancialservices.com