



Canada Pension Plan by Jodi L. Wyman

Most working Canadians pay into the Canada Pension Plan, yet many do not understand how this plan can benefit them.

The Canada Pension Plan Act was enacted in 1965. It dictates that a portion of the wages of an employee is sent into the plan, and the employer matches the contribution. Self-employed individuals are required to pay into of the Canada Pension Plan, unlike Employment Insurance. The Canada Pension Plan is primarily meant as a form of retirement income for employees.

The Canada Pension Plan is meant as a self-financing program, and benefits are only available to contributors and their families. Individuals who have paid into the plan are able to recover their money in one of three ways:

1. Once they retire from their employment, they can apply for a monthly retirement cheque. Individuals are allowed to apply for early retirement benefits at age sixty, or they can wait as long as age 70 before collecting. Obviously, the longer they wait, the higher the cheque will be. The amount of the retirement benefit will be based upon the amount the individual has contributed to the plan. Interestingly, the Act

does not prohibit returning to work after beginning to collect Canada Pension Plan retirement benefits.

2. There is normally a death benefit available for the estate of the contributor. Usually the funeral home will assist with this application. The spouse of a deceased contributor may qualify for Survivor Benefits and minor children can receive Orphan's Benefits depending upon the circumstances.

3. Disability benefits are available to contributors who can no longer work. Benefits can be paid regardless of the age of the contributor, and it is generally a higher sum than the retirement benefit. The test in the Canada Pension Plan Act to qualify for disability is quite strict. An applicant must be unable to regularly pursue any form of substantially gainful employment. This is a much stricter test than the definitions in private insurance policies or the Workers' Compensation Act. The disability must also be prolonged, and the applicant must have contributed to the plan in four of the previous six years. This contribution requirement can sometimes be a difficulty for individuals who may have had business or

farming losses and therefore have not paid into the Canada Pension Plan regularly.

Many people do not understand the importance of the disability part of the plan. It can be an absolutely crucial income source for individuals who are unable to work and support themselves, and who may not qualify for any other sort of disability benefits.

Individuals who have not contributed to the plan can share in their spouse's contributions in the event of a separation. The Department of Social Development will do a Division of Pensionable Earnings once they receive notice of a divorce. One half of each person's contributions made during marriage will be transferred to his or her spouse. This can help an individual who has been out of the work force for many years while raising children. In Manitoba, couples are not allowed to waive the division of pension credits. A separation agreement is not binding on the Department of Social Development.