



CESTNICK

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TAX MATTERS

## CPP, OAS and RRSP tips for those working in their 70s

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My grandfather used to say that retirement is like taking a vacation in Las Vegas: You want to have fun, but not so much fun that you run out of money. Some people choose to work into their 70s because they need the money. And with prices rising at a pace that we haven't seen since the late 1970s, it's no wonder that many seniors are choosing to stay in the work force.

The whole issue of seniors continuing to work is more complex than just this. For the first time in Canada's history there are more people over the age of 65 than there are children under 15. As our population ages and more folks exit the work force, this is putting pressure on labour force growth that can adversely affect economic growth. Our country is having to rely more heavily on productivity growth (which we're not so good at) and increased work force participation – including seniors – to maintain our pace of improvement in living standards.

Today, there are more folks than ever in their 70s who are in the work force in Canada. So, I want to share a few tips if you're in that group.

### Canada Pension Plan

You can start collecting CPP benefits as young as 60, although your benefits increase if you defer collecting them, and you can defer until 70 if you want. If you continue to work into your senior years and don't need the CPP benefits to make ends meet, deferring the benefits is generally a good thing given the higher eventual payout.

The good news is that you can continue to work while collecting CPP benefits. If you're between the ages of 60 and 65 you have to continue contributing to the CPP if you're still working, and those contributions will go toward your benefits that you'll collect. Once you're 65, you can opt out of contributing even if you're working, but if you choose to keep paying into the CPP after 65, which you can do until 70, you'll increase your pension benefits.

After 70, you can't contribute any longer – which also means that your employer won't have to make employer's CPP contributions. As long as you're contributing to the CPP, your employer will have to do the same.

## Old Age Security

You can start collecting OAS benefits once you're 65. You can defer these benefits up to 70 if you want, which will create larger payments to you. If you're still working at 65 and don't need these benefits to cover living costs, it often makes sense to defer collecting. You can collect OAS while you're working, but once your income reaches \$86,912 or higher in 2023, you'll have to repay some of your OAS benefits, and those benefits will disappear altogether at an income of \$142,428 if you're between 65 and 74, and at \$147,979 if you're 75 or older. Once you reach 75, your OAS benefits increase by 10 per cent, which was a change introduced in 2022.

The OAS can be accompanied by the Guaranteed Income Supplement, which is paid monthly to seniors who have low incomes (below \$21,168 if you're single, widowed or divorced, or a higher threshold if you have a spouse; this higher threshold varies, but is \$27,984 if your spouse also collects full OAS). If you're still working, you may earn enough to no longer qualify for the GIS.

## RRSP contributions

Your registered retirement savings plan won't be around forever. You have to wind it up by the end of the year you reach 71. Most folks will convert their RRSP to a registered retirement income fund by the end of that year. The good news? Your RRSP deductions don't have to stop once your RRSP is gone.

If your spouse is younger than you, you'll be able to contribute to a spousal RRSP as long as your spouse is young enough to still have an RRSP. You'll need RRSP contribution room to do this, but if you're working in your 70s, you'll continue to accumulate RRSP contribution room. This is true even though you won't have an RRSP of your own any longer. You'll get a deduction for any contributions you make to a spousal RRSP.

Here's another idea: In the year you turn 71, you can contribute more to your RRSP by the end of that year than your contribution room will allow. You'll pay a penalty for an overcontribution to your plan, but that overcontribution problem, and the penalties, will disappear as you create more RRSP contribution room, even after the year you turn 71. You'll create this additional RRSP room when you have earned income – even into your 70s or later. See [my article from Nov. 30, 2022](#), for a detailed example of how this works.

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