How raising the age for CPP and OAS to 67 would benefit the whole country

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PUBLISHED 8 HOURS AGOUPDATED APRIL 14, 2019

It's time to acknowledge that people are both working and living longer by increasing the standard age for starting retirement benefits to 67, Canada's actuaries say.

Raising the retirement age for Canada and Quebec pension-plan benefits and Old Age Security from 65 would help make retirees and governments more financially secure and improve the performance of the economy, the Canadian Institute of Actuaries (CIA) says in a report to be issued Monday.

The idea behind these changes is to reward people for starting their benefits later with higher payments than they would receive if they started at age 65. You can currently delay CPP and OAS as late as 70 to get a higher payout; the CIA proposal would bet you enhance your benefits still further by delaying until 75.

Also on the actuaries' wish list: Increase the maximum age for converting a registered retirement savings plan into a registered retirement income fund to 75 from the current 71, and allow company pensions to set 67 as the target retirement date for employees going forward, up from 65.

Get used to the idea of these changes because they're coming to Canada at some point, sooner better than later. It's past time we updated a retirement-income system conceived in the days when people lived just 10 to 15 year after retirement.

The CIA report says women at 65 had a life expectancy of 22.5 more years in 2016, while men at the same age could expect 19.9 more years. Statistics Canada says the average retirement age was 64 in 2017, almost three years later than in the late 1990s.

The federal Conservatives announced plans back in 2012 to raise the age for starting OAS to 67 on a gradual basis, but the move was reversed after the Liberals won the past election. The rationale for raising the OAS age was to make the program more sustainable as the population ages, but the actuaries say their proposal is not about sustainability.

"CPP and OAS are sustainable just the way they're designed today," said actuary Joe Nunes, a lead author of the report. "This isn't a recommendation to assist the government in improving sustainability or save the government money."

Actuaries go where the math and data point them and have no political agenda or mandate to sell advice or investment products. They look at our aging population and worry that:

* Retirees will need more savings than previous generations because they will live longer, because company pensions have become more scarce and because saving is made more difficult by low interest rates.

* The economy will have to contend with slower growth and labour shortages as members of the baby-boom generation move from the work force into retirement.

* Government finances will be strained by declining tax revenue as the population ages coupled with higher payouts for health care.

Starting CPP, QPP and OAS later will reduce the risk of outliving your savings because you'll receive higher payouts of inflation-adjusted income as long as you live. Meanwhile, people working longer will help address the labour shortage and productivity issues caused by an aging population, and generate tax revenue for governments.

CPP and QPP benefits currently start at the regular rate at age 65, but you can take a reduced payout as early as 60 or delay as late as 70 to receive more money. In addition to making 67 the standard age to start benefits, the actuaries propose that 62 be the new minimum CPP age.

You could take CPP at 65 under the proposed changes and get the same amount as you would today. But if you waited to 67, you'd get 16.8 per cent more based on current numbers. If you waited until 75, you'd get something in the area of 42 per cent more than at 70 (that's the current bonus for waiting until age 70 over starting at 65). Raising the default start for OAS to 67 from 65 would increase benefits by 14.4 per cent using 2019 numbers.

There will be opposition to these proposals, some of it legitimately based on the fact that people in lower income brackets have shorter lifespans and are thus penalized if their CPP and OAS start later. The actuaries pointedly didn't recommend that the Guaranteed Income Supplement, targeted at the lowest income seniors, be raised to 65 as well.

So far, there hasn't been much interest from retirees in delaying CPP benefits to receive higher payouts. In fact, the most popular age for starting retirement benefits is 60.

But Mr. Nunes said he's seeing more financial planners recommending to clients that they use their personal savings first and delay CPP and OAS. "Planners are increasingly recognizing that getting the maximum payout from CPP and OAS helps protect people from outliving their money," he said. "This is really the greatest insurance that's out there."