

Canadian Pension Plan Myths

We are forwarded a lot of emails about CPP and those who died before they collected it. We did a thorough look at one [back in 2013](#), and even though the emails we get now are similar they have changed over time so here is a fresh look at the most recent version.

The email claims that CPP is ripping Canadians off, and the figures it uses are alarming. We crunched the numbers, did the research and the results are conclusive, the email is a hoax.

The email is a revised version of an email [written for an American audience](#) about the American Social Security program. Someone just replaced all the American references with Canadian ones, and sent it around. Of course that means its claims about CPP aren't true, but the original email's claims about Social Security weren't true either.

CPP has problems, but we should criticize it with solid information.

Here is a detailed breakdown, claim by claim.

Claim 1: "THERE IS NO MONEY IN THE CPP FROM THE GOVERNMENT OF CANADA"

True. CPP funds come from employee and employer's contributions. Unfortunately, this claim is the only one we looked at that is true.

Claim 2: "One very major thing wrong with the government's calculations of 'available CPP' is that they forgot to figure in the people WHO DIED BEFORE THEY EVER COLLECTED A CPP CHEQUE!!!!!! WHERE DID THAT MONEY GO?"

Partly False. Your benefits from CPP don't necessarily end when you die. Some of the benefits are transferred over to your [spouse](#) and [children](#). Your spouse can collect up to 60 percent of your CPP benefits. Your children under 18 —or under 25 if they are a student— can collect a \$241 a month benefit. CPP also has a one-time lump sum "[death benefit](#)" payment worth up to \$2,500.

Claim 4: "Remember, not only did you and I contribute to CPP but your employer did, too. It totaled 15% of your income before taxes. If you averaged only \$30K over your working life (say 45 years), that's \$202,500. Read that again. Did you see where the Government paid in one single penny?"

False. No one has contributed nearly that much. Contributions for CPP are 9.9%, not 15%, and up to 1986, they were only 3.6%. If you and your employer made the maximum every year from age 18 to 64, the total contributions are only \$95,626.

Claim 5: If you calculate the future invested value of \$4,500 per year (yours & your employer's contribution) at a simple 5% interest, after 49 years of working you'd have \$892,919.98.

False: Average contributions from someone turning 65 in 2017 were only \$2,035, and they would be lower for anyone older than that. Also, with five percent interest the contributions would only add up to around \$200,000.

Claim 6: If you took out only 3% per year, you'd receive \$26,787.60 per year and it would last better than 30 years (until you're 95 if you retire at age 65) and that's with no interest paid on that final amount on deposit! If you bought an annuity and it paid 4% per year, you'd have a lifetime income of \$2,976.40 per month.

False: If you withdrew 3 percent each year it would be less than \$6,000. If you could get 4 percent each year from an annuity that would only be \$660 a month. The maximum CPP benefit is almost double that at \$1,114.

Claim 7: "THE ENTITLEMENT: They are calling CPP payouts an entitlement. ENTITLEMENT my foot,,,, Just because they borrowed the money for other government spending, doesn't make my benefits some kind of charity or handout!! "

False: This is a clue to the email's American origins because in Canada we don't often call government benefits "entitlements". Also, this isn't true because the government didn't spend any of the CPP contributions. CPP contributions aren't used to fund other programs, and after reforms over the last few decades CPP is well-funded.

Claim 8: THE REFUGEES: The latest estimate (as per Global News) is that it is going to cost SIX HUNDRED MILLION (\$600,000,000) to bring in the 25,000 refugees. The government (according to the Public Accounts office) is already FIVE BILLION in the hole. How much more will they take from our CPP to cover this expense? "

False: No money will be taken from CPP contributions to cover the deficit, which is currently projected to be \$25 billion. All contributions to CPP are spent on CPP benefits and administration.