

CPP Changes More than Just a Tax Grab

Most defined benefit pension plans have pay outs built around the Canada Pension Plan (CPP). As CPP benefits go up, the pension payout goes down usually at age 65. If the payout goes down, the employer doesn't have to fund as much to the plan to cover future pension costs. If the pension plan is currently underfunded, higher CPP benefits will reduce any top up payments required to refund the pension plan.

Justin Trudeau is likely going to increase CPP contributions on the grounds that retiring Canadians need better pensions. However there is an underlying and well-hidden motive behind such a manoeuvre.

Some provinces, municipalities, corporations and unions have pension plans that are underfunded. The increased CPP program will subsidize the errant provinces, municipalities etc. that have underfunded their respective pension schemes.

The increased CPP and/or comparable provincial plans are an extra tax on employees and employers.

How can the CPP be a tax? Normal pension plans payout any capital remains to the pensioner's estate. CPP pays out a death benefit of up to \$2,500 and possibly a pension amount if there is a surviving spouse. That's it. The CPP pockets the residue.

The increased CPP premiums are like taking dollars out of pension entitlements and out of the pockets of the employees who paid in their fair share of the pension from their wages. The employees are funding the shortfall of pension funding that is actually the obligation of the employer.

Increasing the CPP will discourage any job growth in small business enterprises in a world economy headed for the doldrums.

Mr. Trudeau surely must be aware of this and proposes the expansion of the CPP to bail out his political allies.

The Harper government created greater RRSP limits plus the Tax Free Savings Accounts to assist Canadians in affording better retirements. We need to re-elect the Harper Conservatives.

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~ Andrew Carson