Age Milestones: Do You Need to Take Action?

Before each year end, we remind our readers that those who reach certain milestones need to consider their options in preparing for retirement. If you are nearing the following ages, take note of these considerations as you look to maximize your retirement savings. Don't leave money on the table. If you need help, please give us a call.

At Age 60

Consider early Canada Pension Plan (CPP) payments. Although the standard age for starting CPP payments is 65, you have the option to collect your CPP retirement pension as early as age 60. Payments will be permanently reduced if you begin early. You may wish instead to defer CPP payments to receive an increased benefit by starting payments between the ages of 65 and 70.

At Age 65

Don't forget the federal Pension Income Tax Credit. The Pension Income Tax Credit allows you to claim a tax credit equal to the lesser of your pension income or $2,000. Since this is a non-refundable tax credit, it cannot be carried forward. Note that there are certain exceptions in which the Pension Income Tax Credit can be used before the age of 65, including for those individuals 55 years of age or older who have certain qualifying types of pension income, or widow(er)s, so seek advice on your particular situation. In Quebec, the pension recipient must be age 65 to split all types of pension income.

If you don't have a pension, you can generate qualifying pension income at age 65 by opening a Registered Retirement Income Fund (RRIF), for example. We are available to assist with this option.

Consider pension income splitting. If your spouse/common-law partner has a lower marginal tax rate and/or available tax credits to provide tax savings, you may consider pension income splitting. An individual can allocate up to 50 percent of their eligible pension income to his or her spouse for tax purposes. (Note: individuals as young as age 55 may have qualifying pension income under certain circumstances.)

At Age 71

Convert your RRSP before year end. You must convert your Registered Retirement Savings Plan (RRSP) before the end of the calendar year in which you turn 71 years of age. The most common choice is to open a RRIF, but there are other options to consider, including purchasing an annuity or distributing funds, which will be taxed as income.

Make final payments to the RRSP before year end. Consider catching up on any unused contribution room from previous years before the end of the year. You won't be able to contribute until the usual RRSP deadline (which is 60 days after the end of the year) as your plan will need to be collapsed before the year ends.

Consider contributing to a spousal RRSP. If you have reached the age of 71 but have a younger spouse and have unused RRSP contribution room (or are still generating RRSP contribution room if you still have earned income), consider contributing to a spousal RRSP. This has the potential to defer taxes and/or split income.

If we can assist with any of these matters, please call. As always, consult a tax specialist regarding your particular situation.