

# HERE IS WHY WE NEED AN ALBERTA PENSION PLAN ASAP!

Alberta Prosperity Project  
By Rick Rewuski



Hello everyone. My name is Rick Rewuski and I live and work in Dewberry, a small village located in East Central Alberta. I did some Canada Pension Plan calculations for my grandson who is beginning his career as an engineer, who will be earning in excess of \$68,500.00 per year. The sum of \$68,500 is the insurable earnings used to calculate the annual CPP premium as well as the CPP pension benefits at age 65. Based on the insurable earnings of \$68,500.00, the annual employee and employer contribution to CPP will be \$7,735.00. Assuming everything remains the same for the next 42 years, my grandson will have contributed a total of \$324,870.00 to his pension fund.

Canada Pension reports that the average annual rate of return for the past 10 years is 9.6% and the rate of return for the last year is 6.8%. If the fund earns an average of 6.8% per year, the fund will have a balance of 1,811,624.75 at age 65. If the fund earns an average of 9.6% per year, the fund will have a balance of \$4,069,377.55 at age 65.

For this illustration, I am using a conservative rate of return of 5% compounded annually, which would value my grandsons' pension account at \$1,106,053.00 at age 65.

With a balance of \$1,106,053.00 at age 65, and interest at 5%, my grandson should expect to receive an annual pension in the amount of \$55,302.00 or \$4,609.00 per month. However, that is not even close to what he will actually receive in pension benefits. Canada Pension will only pay 33% of the insurable earnings of \$68,500.00 which is \$22,605.00 annually or \$1,883.75 per month. That means, Canada Pension is withholding \$32,697.00 of the annual interest earnings. If my grandson draws his pension for one year and then passes away, his estate will receive a death benefit of \$2,500.00 and Canada Pension keeps the entire \$1,106,053.00. If he is married at the time of his passing, his spouse will only receive a portion of his annual Canada Pension entitlement which is dependent on how much she is receiving from her own CPP fund and, CPP will keep the entire \$1,106,053.00 for itself. Currently, the maximum a survivor can receive is a combined total of \$1,613.54 per month or \$19,362.48 annually. You will notice that the annual pension is much less than what the fund will earn annually and CPP still keeps the balance of the fund of \$1,106,053.00 for itself.

If your banker offered you an investment plan whereby you deposited a fixed amount of money into an account for 42 years and you were offered a 5% annual rate of return on your investment, and your investment would grow to a value of \$1,106,053.00, you might think that is a good deal. However, if your banker told you that in 42 years, you could only draw 40% of the annual interest earnings, and on your death, your estate would receive a lump sum payment of \$2,500.00 and the bank would keep the remaining \$1,106,053.00 for themselves. Would you invest your money in that type of an investment? I think not, but that is the investment plan that you are getting with your Canada Pension Plan.

The Alberta Pension Plan is predicting that we could receive a lump sum payment of \$10,000.00 upon retirement and our monthly pension could be 2 or 3 times as much as we are receiving from Canada Pension. If you look at the amount of interest and account balances CPP is withholding from each contributor, an increase in our monthly pensions is absolutely possible.

Everyone is very concerned about how much money Alberta will receive from Canada Pension Plan. Initial reports indicate that CPP owes Alberta 343 billion dollars. What does it matter if we receive 343 billion or something less? Look at how much money we will save with an Alberta Pension Plan and how much it will improve our lives when we retire. A \$10,000.00 lump sum payment upon retirement and double the monthly income? Why would anyone turn that down?

All of the above information is available on the internet and I would encourage everyone to do their own research. Then you can make an informed decision.

Have a great day everyone!

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