

Question:

What are some of the “hidden” costs or expenses upon retirement?

Answer:

- Your CAAT Pension Plan will calculate the tax withholdings on your monthly pension payment as if you are a single person.
 - There is no way around this withholding amount. Revenue Canada has an application form whereby an individual can apply for a tax withholding reduction but there is no “tick-box” for married status on pension payments. No tick-box, no way.
 - You can receive an appropriate refund when you file your tax return next year.
- Canada Pension Plan (CPP) payments do not have tax withholding deductions but are taxable annual income.
- Old Age Security (OAS) payments do not have tax withholding deductions but are taxable annual income.
- You will be paying full price for extended health and dental care coverage. While working, the College paid the majority of the premiums. Out-of-pocket medical and dental expenses, including extended health care premiums, can be claimed on your tax return but these expenses accrue “tax credits”, not one-for-one tax reductions. An average faculty retirée will accrue 22% (\$220) tax refund for each \$1,000 of health care expenses claimed.