Canada Pension Plan VS Alberta Pension Plan

Suppose that you make, sixty thousand dollars a year at your job, which is a pretty reasonable estimate, a pretty conservative estimate for, Canadian families, Canadian households. You make sixty thousand dollars a year in income. That means that you and your employer will each contribute thirty-four hundred dollars to the Canadian Pension Plan every year.

So in total, you and your employer will send sixty-seven hundred dollars, thirty-four plus thirty-four, per year to the Canadian Pension Plan. That's your contribution. Now, let's suppose that you work for forty years, because that seems to be the minimum amount of time that a Canadian can work these days before retiring, if he's able to retire at all. So, you work for forty years, and let's just suppose, for easy mathematics, your wage doesn't change. Truth be told, there's inflation, your wage goes down.
But anyway, suppose it doesn't change. So, every year for forty years, between you and your employer, you send some sixty-seven hundred dollars to the Canadian Pension Plan. Hundreds of thousands of dollars over your working life.

After forty years, it's time for you to retire. Retire at sixty-five. Most Canadians pull their Canadian Pension Plan at sixty-five. So, you're sixty-five years old, you've worked for forty years, and you say, it’s time for me to cash my check.

I can't wait to see how much the Canadian Pension Plan is going to pay me out after all of my years of service and work and contribution to them. And so, you wait, and you wait, and then you receive your first check. You open up the envelope, you're excited, and you see that per month it is a whopping fifteen hundred dollars. And by the way, that's almost double the average of most Canadians. Most Canadians, most retirees earn eight hundred and seventy-seven dollars every month on their Canadian Pension Plan check. That's it. Eighteen thousand dollars a year is what your Canadian Pension Plan payout would be if you earned sixty grand a year for forty years and contributed to the Canadian Pension Plan every year.

Eighteen thousand dollars a year, indexed to inflation officially, but that's the number. That's what you would receive. Now, that's already anemic. But to explain to you just how anemic those returns are,

think of this. Suppose that instead of sending sixty-seven hundred dollars a year to the Canadian Pension Plan while you were working, you and your employer instead sent sixty-seven hundred dollars per year into a mutual fund.

A very conservatively, moderately performing mutual fund. Let's say it generates eight percent return. Not at all outrageous to estimate. That's a very conservative estimation. So, your mutual fund is earning eight percent return every year, interest of eight percent. And you contribute to that mutual fund the same amount of money that you would have contributed to the CPP. So, between you and your employer, that's sixty-seven hundred dollars. And you do that for forty years. Is there a superior pension plan that would outperform the CPP personally. the general response is, what are you talking about? How is that possible? The CPP, on its investments, earn something like a nine or a ten percent rate of return, which is excellent, marvelous.

Right? It's a fallacy. when you hear people say there is no way we can do better because the CPP earns rates of return on its investment of ten percent or nine percent, they are assuming that the CPP's rate of return and the CPP's funded rate of return is the same as your individual rate of return with the CPP. It's not.

It would be like saying, well, my insurance provider makes huge dollars on its customers, so why would anyone leave? You know? I want what's best for me. So, what are your individual returns with the CPP on average?

What are How is your individual performance? What do your returns look like? Ten percent? No. Thirty percent? No. Eight percent? No. No, they look like anywhere between two and four percent, tops. The older you are, the higher it is, the closer you are to the four percent.

The younger you are, the lower it is. So when we retire, we can expect, at best, two percent returns on our CPP investments, tops. And that is before, in my opinion, correctly calculating inflation. So, it's really so much lower than that.

The CPP might earn a ten thousand percent rate of return on its investments. What do I care when it comes to my personal return? What does it matter to me want it to stay, funded, of course, but what does it matter to me

It's called communism. Yeah, that's the idea. Sure. Redistribution, whatever word they put on top of it. I say we reject that principle and instead say, My money is my money, and your money is your money. And so instead of then sending sixty-seven hundred dollars every year to the Canadian Pension Plan, if you're earning sixty grand, let's suppose that under this new proposal, instead, you and your employer instead send that money into an Alberta Pension Plan account, **your** Alberta Pension Plan, your Alberta Pension Plan account.

You send that into a private pension fund where you can look at it. It's your account. You can see it, and you know that it's your money. You don't send your neighbor's money into your account.

He doesn't send his money into your account, vice versa. And you don't pool your money together into a big account. Your money is your money is your money is your money. You worked for it. It's yours.

It should be yours. Now, every year, just like the CPP, let's suppose your deposit, you and your employer deposit that sixty-seven hundred dollars into your private pension plan account, and you watch it grow.

You can log in or whatever it is and see it expand. And as you contribute, Alberta's pension plan manager, like any other mutual fund manager, takes your money and invests it, invests it on your behalf. This pension plan manager would have one objective, and only one objective.

Is it to push a social agenda? It's not. Is it to serve masters in government? It's not. The only purpose of this pension plan manager,

the only reason for the existence of this pension plan manager, is to maximize the amount of money that you make with your pension contributions without incurring undue risk. We want to make as much money as possible with as little threat of losing it as possible.

When you retire you take your pension, option one is to go to the account and withdraw money from your account at a scheduled rate, whatever you'd like. If you invest sixty-seven hundred dollars every year into that account for forty years, then you will have accrued some one point seven four million dollars by the time you retire. If you follow a four percent rule of withdrawal, then you will very comfortably pull some fifty-eight hundred dollars a month, every month in retirement funds without jeopardizing the principal. Now, you could follow a three percent rate or a two percent rate and withdraw less, or you could withdraw more. Who knows? It's up to you because remember, it's your money.

Your money is your money is your money. You choose what's best for yourself and your family. You look at the numbers, you look at your situation, you look at your needs and say, what do I require right now or in the future?

How should I structure my plan accordingly? So, you do that while you're alive, and then when you pass, the entire account is transferred to your beneficiaries. When you pass right now with the CPP, **it's gone.**

All of your contributions and whatever money those contributions might have made disappear because it's like a social insurance fund more than it is a pension plan. With this idea, with this proposal, that entire account that you've built up over your working life is passed to your beneficiaries that you name, that you choose. So, if you have a million dollars left in your account when you pass, it goes to your children or your wife or whoever it might be, so that the funds and the investment is not wasted, but is instead used to increase the quality of life of your future generations. That's one option. Here is the second option. If you think you're going to live a long time, like a very long time, or if you have no heirs, no beneficiaries, or if this is simply what you want to do and you're particularly risk-averse, then you should have the option to, with your pension plan account and the money that's in that account, when you retire, purchase an annuity. And do our best to see that our future generations live a higher quality of life than the ones that you and I live, as it stands in the here and the now? the Canadian ship is sinking.

And this proposal might just be one way, just one way, that we can help achieve that vision.