You Do Have Choices

A Practical Guide to Financial Decisions for Women of All Ages

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YWCA
of Vancouver

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Contents

INTRODUCTION

WHY SHOULD I READ THIS BOOKLET?

Possibly one of the biggest surprises for a woman is to reach her 70s, and find herself asking "Why is life so tough, after I worked so hard for so long?"

Without good information and careful thought, you could easily be that older woman struggling to make ends meet. Single, widowed and divorced older women are among the poorest people in Canada. Close to 350,000 older women live at or below the poverty line.

Reliable information is an important source of financial power for women of all ages. Throughout your life, you make a wide range of financial and other decisions that have a long lasting impact on your future security. Perhaps you are making decisions right now without realizing that you have many choices.

We wrote this booklet to help remedy that information gap. We hope it will guide you in planning a more secure financial future.

The information in this booklet is for you whether you are in the labour force, self-employed, or do unpaid work at home. Whether or not you work for pay, you need to know about income security programs and how your husband or partner's decisions will affect your life.

We hope this booklet will put you in a better position to know what to ask, who to ask, and where to ask. We think this booklet will benefit women of all ages.

The booklet is divided into four parts. The first part describes financial matters you need to consider during a relationship and after, if it ends. The second part suggests smart steps you can take when you are in a paid job. The third part covers aspects of being out of work (such as employment insurance and social assistance). The fourth part addresses issues that come up during retirement planning and at retirement.

Throughout the booklet, we offer *Action Checklists* — things that you can do today to help improve your financial future, and ways women can help each other. At the back of the booklet, we provide sources of further information.

This booklet is intended as general information, not legal advice. Much of the content is based on British Columbia law, so people from other provinces may need to check their own provincial laws.

We have used the most up-to-date information available at the time of printing.

A RADICAL IDEA

An important starting point for a woman of any age is to realize that she is probably going to live a long life, and that she must plan and make decisions based on that expectation.

For many women, this is still a radical idea. A recent national survey found that most teenage girls expect to marry, and to have a husband who will provide for them all their lives!

Real life is different. Most women will outlive their spouses or partners. On average, Canadian women live longer than men (81 years compared to 76 years). Many women may live into their 80s and 90s. And that is only part of the picture. Did you realize that the average Canadian woman lives at least 30 years on her own? During that time, she is her own financial support.

Many women live fairly comfortably while they are married. However when their partner dies, life can change dramatically. Widowhood often means a decrease in income and standard of living. Husbands' pension benefits often end or decrease when they die. Many older women do not have their own sources of retirement income. No one chooses to become a widow, but since it is a strong possibility, you should probably do some planning while you and your spouse or partner are still together.

There won't be a knight in shining armour to rescue you financially. However, there are steps that can be taken now to improve your financial security. These steps can help you to become independent and have a reasonable chance of a dignified life, no matter how long you live.

PART ONE—When You Are In A Relationship

We start this section by describing some trends in Canadian families. Then we discuss how relationships (particularly when they break up) can affect you financially in the long run.

Over the last twenty-five years, we have seen major changes in the Canadian family. More people are single. People are waiting longer to get married. People now marry much later than they did in the 1950s or even the 1970s. Today, the average man is almost 30 years old when he first marries. For a woman, the average age is about 27.

LIVING COMMON-LAW

Living common-law has become more acceptable to many people. However, there are still some very important differences between common-law and married families. In some parts of Canada, one in four families live common-law. Women in common-law relationships can have fewer legal rights and entitlements than women who are married.

If you are married, your legal rights and obligations start from the day that you marry. If you live common-law, you have to be together a certain period of time —and prove it — in order to qualify for certain benefits. Even in the same province, laws and rules differ considerably on how long the period must be.

No matter how long the two of you live together, your common-law rights and obligations may be fewer than if you are married. Even though there are important changes being made by the federal government, living common-law affects what you may receive in terms of government benefits and workplace entitlements. It also affects your legal rights to property or money if your common-law partner dies.

Many common-law relationships end in separation. The rate of separation among parents is much higher for common-law couples than for married couples. By the time they are ten years old, 63% of children with parents living in a common-law relationship have seen their parents separate, compared to 14% of children with married parents.

A. HOW A RELATIONSHIP CAN AFFECT YOU FINANCIALLY

Today, women are doing more to stand on their own feet financially - things that their mothers would never have considered possible. Many women have their own bank accounts and savings, and have their own credit rating.

However, it is still fairly common for women to be uninformed about their husband's or partners' income or resources. Many couples do not talk about their finances openly, do not plan their life goals, or have very different life goals. To some extent, many people focus on today, believing that things will magically work out. That can be disastrous for women in the long run.

Couples handle their financial affairs in different ways. Some pool everything. Others have separate accounts. Some women take on all the day-to-day paying of bills and groceries, and leave larger financial items such as house payments to their husbands or partners.

Planning finances can be a hot issue for families. This may lead to disagreements when couples break up. Some husbands or partners may view their own contributions as the only significant ones made to the household, and feel that everything is rightly theirs. Some wives (especially if they have worked in the home most of their lives) fall into the same mental trap, thinking that they don't deserve an equal share. No matter how you've divided the financial matters and the family responsibilities, don't undervalue your contribution.

Financial planning is something that every woman can do. It is not just a matter of numbers. It is about ideas and concepts that women handle successfully all the time. Men are not necessarily any better at financial planning. But, they do tend to be in the types of jobs with better benefits, and will reap those benefits in later life.

ACTION CHECKLIST

WHEN YOU ARE IN A RELATIONSHIP

- ❑ Talk with your partner regularly about your respective short and long-term goals.
- ❑ Have a clear understanding of your own financial situation and your partner's.
- ❑ Recognize that your contributions to the household are essential and make sure that others recognize that, too.
- ❑ Know what kinds of benefits your partner gets from his job.
- ❑ Make sure that both of you understand the effects of your respective work decisions on both your lives, in the short and long run.
- ❑ No matter what your age, make sure you have both planned for the future (for example, by writing a will).

B. IF YOUR RELATIONSHIP BREAKS DOWN— SEPARATION AND DIVORCE

About one in three Canadian marriages ends in divorce. According to data from the 1996 Census, there are about 1.6 million divorced people in Canada, and 700,000 who are separated. Fifteen percent of women (one in seven) aged from 39 to 59 is divorced or separated.

On average, marriages that end in divorce have been lasting longer (about 13 years on average). In addition, couples are divorcing later in life. This means that women are older when marriages end. In 1997, men getting a divorce were in their early 40s, on average, and women were in their late 30s.

Separation and divorce have a profound financial effect on women and their families, especially in the first year. Women's family income one year after separation goes down one quarter (23%) on average. The financial situation is even worse for women who are single parents or who are on their own and do not have a new partner. Their income decreases by almost a third (going down $5,700- 6,800 on average). Men's income actually increases slightly (10% on average), typically because they are supporting fewer people.

Why this big loss for women? First, financial problems and unemployment are a common reason why couples split up. Second, women generally earn less than men do. Separation means that women lose a major source of financial support. Third, most women gain custody of their children upon separation and raising children is expensive.

For a woman and her children, a decrease in family income may mean poverty—poverty that may not end unless she remarries or lives common-law.

When you become separated or divorced, you will be making a number of important decisions that can have long term consequences for you and your family. There are a number of legal issues that couples must settle. Unfortunately, they usually do this when the financial and emotional pressures are the greatest.

There will often be decisions about custody and child support. Depending on a woman's personal circumstances, issues such as spousal support (maintenance), and what to do with the family home, property and savings may come up. Couples will need to divide both the assets and the debts that have built up during the relationship.

1. Child Support

At present, women are granted custody of their children in 6 out of 10 divorce cases and likely more often in common law ones. Women must somehow pay for a home, food and clothing for themselves and their children. Both parents are legally responsible for financially supporting their children, usually up to the age of majority (18 or 19 depending on where you live). It does not matter whether the couple are married, living in a common law relationship, or have never lived together.

You may decide not to go after support for your children and yourself, feeling it is not worth the bother and stress. You may simply want out of the relationship, particularly at first, without thinking about how or if you will be able to support the children by yourself. Or, you may want to be financially independent to prove you can make it on your own.

This can be terribly costly to you and your children. Not seeking support leaves you and your family at a greater risk of poverty. It can also give a wrong message to sons and daughters— that men don't have an ongoing responsibility to families.

The Level of Support: In recent years, the courts have developed guidelines to ensure that child support reflects the real costs of raising children. Provinces have also agreed to honour and enforce each other's child support orders.

Until 1997, child support payments were tax-deductible for the spouse paying the money. They were included as income for the spouse receiving it (usually the mother). Since 1997, that has changed for many people. Unless there is an unchanged legal agreement in place, child support is no longer a tax deduction for the man, and it is not treated as income for the woman with custody.

Enforcing Payment: While many husbands and partners live up to their financial obligations to their family, many others do not. Provinces have laws to enforce the payment of child support, but women must enrol officially under this system first.

Some women avoid doing this because they are afraid of their former partner, or do not want anything more to do with him. The provincial programs offer some protections available to ensure that those potentially violent situations can be dealt with carefully.

If you and your family are on social assistance, the province has the right to enforce any support arrangement ordered by the court. As a matter of fact, you are required to sign that right over to the provincial government, which will collect the money on your behalf, and subtract part of it from your monthly income assistance payment.

2. Spousal Support
Canadian federal and provincial laws say that every spouse has a duty to be self-sufficient. Sometimes this isn't possible. For example, a woman may be caring for several children or may have been out of the work force for a long time.

The court can order a husband or common-law spouse to pay maintenance to his wife. The courts look at many factors when deciding whether she should receive support, and how much. These include: how long you've been together, agreements you made to each other, ways you've been helping your spouse or partner's career, whether you are disabled, and your reasonable needs and his.

If you need support but can't get your spouse to agree to it, you will have to go to court and ask for it. Unlike child support, spousal support is a tax deduction for the person who pays it, and the person who receives the support reports it as income.

3. Dividing Assets
When a couple separates or divorces, they usually divide property. Property includes *everything you and your spouse or partner own,* such as the car, furniture, appliances, the family home, bank accounts, insurance policies, pension benefits, annuities, RRSPs, stocks, bonds, investments and family businesses. There are some provincial differences, but basically any kind of property owned by one or both of you and ordinarily used for a family purpose is a family asset, and as such can be divided. A court usually starts with a 50/50 split in assets, but can decide on something other than this, if it seems fair in the circumstances.

4. Dividing Pension Benefits

Pension benefits built up during a marriage can also be split. Believe it or not, pension benefits often represent the largest asset that you and your partner have! This is often the case if you have been married many years, and he has been working for a well-established company for a long time. Be sure to include any arrangements for dividing pension benefits in your written agreement or court order. The law provides a 50/50 split for pension benefits. Couples can agree to a different kind of split as long as it is fair.

How do you find out what you may be entitled to? Begin by notifying your husband's or partner's pension plan office. Many women find it tough to make that first call. That's a natural reaction but remember, these are your benefits too. Explain that you are claiming interest in the pension, and you need to know the value of the plan.

Pensions are complex and there are different ways to determine what a pension benefit is worth. Get this done properly by a trained professional who can help (usually, *a pension actuary*).

If your husband or partner has a pension plan, your share can be transferred to your RRSP. If you are retired, it can be paid out as a monthly pension cheque. Exactly how the pension is divided depends on the kind of pension it is, and whether or not he is retired when you break up.

5. Dividing Canada Pension Plan Benefits

The Canada Pension Plan (CPP) is another important benefit that women are entitled to. CPP recognizes that in a marriage or common-law relationship, both people share in the building of their assets and entitlements *regardless of whether or not they work for pay.* CPP pension credits are part of a couple's joint assets. The pension credits build up during the time a couple live together.

CPP allows for these pension credits to be divided equally between the two people when the relationship ends. This division is called *credit-splitting.* The credits can be split even if the woman has not paid into the Canada Pension Plan. CPP credit-splitting applies to all married couples who separate, but in common-law relationships, your partner has to agree to the split.

The law appears to make this credit-splitting mandatory. However, a few provinces allow couples to give up the right.

It is important to remember that the credit-splitting is not automatic. You have to send in the appropriate forms to CPP letting them know that the two of you are dividing these credits.

Up to now, only a small percentage of women have made use of credit-splitting. This is partly because many women simply did not know about it, and partly because women have not realized how valuable this can be to them in the long run. Make sure you don't make that mistake.

Think about this decision very carefully. Don't, for example, fall into the trap of seeing this as an either/or situation (for example, "Either I get the house or I share these credits"). The law recognizes pension credits as part of your contribution to the relationship. **Don't give them up lightly,** particularly if you have not worked outside of home or if you have been in a poorly paid job.

Many women fear that by the time they retire, the CPP won't be there anymore. The government has taken steps to avoid this by increasing contributions that people pay into the Canada Pension Plan. This should help make sure that it is there for you too.

The longer you and your former spouse were together, and the bigger the difference between your earnings while you were together, the greater the exchange of Canada Pension Plan credits will be.

Credit-splitting has another benefit for women. The CPP also provides survivor and death benefits (see the section in this booklet *"When You Are Planning Your Retirement"*). This means that if you did not work outside of the home, you can still assure your family may be entitled to some survivor benefits when you die. If you don't have any CPP credits, your family can lose out financially.

Keep these things in mind during mediation or negotiation. These benefits are usually more valuable than getting a television set or a second hand car that may fall apart in two years.

ACTION CHECKLIST

FOR RELATIONSHIPS ABOUT TO BREAK UP

- ❑ If you don't know about your spouse or partner's assets, start asking. Try to find out as much as you can.
- ❑ Get legal advice. You are entitled to a number of important benefits.
- ❑ Ask your lawyer "What are the long-term implications of this decision or agreement for me in later life?"
- ❑ Find out if there are any workplace pension benefits and what you are entitled to.
- ❑ Seriously consider making CCP pension credit splitting part of your divorce or separation agreement. Apply for them in time.

PART TWO—When You Are in the Work Force

The days when women only worked for extra cash for personal luxuries are long gone. They work because their families need the money and/or because they like working. In 1996, nearly three-quarters of Canadian mothers who had children at home also worked outside the home. These represent major social changes. Today, over 45% of the workforce is female. In 1947, that proportion was less than 17%.

Women's Work is Valuable: Women's labour in the home strengthens families, and women's paid labour helps keep families from sinking into poverty. If women's incomes were taken out of family income (because of job loss or leaving their job), the number of poor families in Canada would double from about 10% to 21%.

In the following sections, we describe some general employment trends, and how work decisions have a big impact on women, now and well into the future. Then we will show you what you need to know to protect your interests.

A. EMPLOYMENT TRENDS: WOMEN IN THE WORKFORCE

Women tend to work in different job sectors and occupations than men. A large proportion of women tend to work in community services, business, personal services and trade sectors (for example, in retail stores, hairdressing, secretarial services, factories, health care, and teaching).

On average, Canadian women working fulltime still earn only about three-quarters of what men earn ($29,000 for women and $40,610 for men). Over one-quarter (28%) of women work part time.

During the last decade, there have been many changes in the workforce. A growing number of businesses are restructuring and downsizing. The retail sector and manufacturing sectors (which employ large numbers of women) have experienced downsizing, company mergers, layoffs and closures. There has also been an increase in contract work and short-term jobs which usually have few benefits.

On the positive side, there are now many more women in the professions. Some women, particularly single women, are enjoying good salaries. Single women professionals, on average earn 94% of what men earn doing the same work.

Married women professionals, on the other hand, on average receive 69% married men's wage, They may be working fewer hours because they also have a full-time job at home. In some cases, they are paid less for similar work.

One in three women runs a small business and is self-employed. Some may be turning to self-employment for convenience, while others try it because good jobs working for an employer are harder to find. (At the back of this booklet, we offer some useful resources for improving your success in self-employment.)

Self-employed women currently earn, on average, about $14,300 a year. If that small business is their family's only source of income, the family could be in trouble financially.

B. TIME OUT FROM PAID WORK

Many women work two jobs- one unpaid taking care of family, and the other paid in the workforce. Women often have to take time off from their paid jobs:

- during maternity,
- to care for infants and young children,
- to look after a sick child, spouse, or elderly parent.

To handle so many demands on their time, many women stop working or go from full-time to part-time. The length of the time-out that they take for child care is declining. However, six out of ten women still take more than six months away from work for these family responsibilities. This has an important effect on their long -term financial security.

For every year that a woman stays home caring for a child, she must work five extra years to recover lost income, pension coverage, and career promotion. If you are in this situation, make sure you and your spouse or partner understand the short and long-term implications.

C. WHAT WORKING WOMEN NEED TO KNOW

1. Employment Standards

Each province has an employment standards law that sets out the minimum standards for wages and employment. The employment standards law typically covers:

- Minimum wages
- Minimum daily pay
- Statutory holidays
- Leave from work, including unpaid maternity leave
- Overtime
- Annual vacations
- Termination, including being laid off or fired
- Deductions
- Meal breaks
- Paydays and payroll records

These are employers' legal obligations and basic rights for the majority of women employees.

It is very important for women to learn what the standards are in their province and to see that they are respected. Some employers try to avoid their legal responsibilities, particularly with low paying jobs and with women employees. Like all rights, your employment rights under provincial law will be meaningful when you understand and exercise them.

Women in the paid work force easily recognize that they need to know their salary and immediate benefits (medical coverage, dental plans and so on.) But they must also pay attention to and understand about other employment benefits that can have long-term consequences for them.

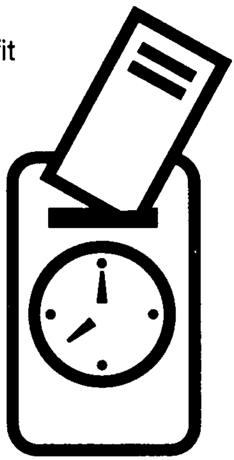
2. Union Agreements

Approximately one in three employed women in British Columbia is a union member (which is slightly less than the percentage for men in B.C.). Collective agreements often have many important benefits that affect women directly as workers, or indirectly as the spouses or partners of workers. It is important for women to understand what's in the agreement and the effect of any proposed changes.

Collective agreements are notoriously difficult legal documents to read and understand. Insist that your union make your collective agreement (and particularly any employment or pension benefits) available in language you can understand.

When your collective agreement comes up for re-negotiation,

- make sure that your union isn't giving up important rights for women, and
- let them know how important it is that new agreements have provisions built in to benefit women workers.



Share your knowledge of collective agreements, benefits, and changes with your co-workers. Help them recognize the implications for women. For example, is there coverage for parental leave? Does it allow flexible work arrangements? Are there sick days to care for sick children? Does it provide for child care or elder care?

3. Planning While You Are Working

First, if you have not already done so, find out what type of pension program your employer has. Request a summary of the plan from personnel, human resources, or pension administrators. Find out

- when do you start contributing to the plan?
- what happens to your contributions (and your employer's contributions, if applicable) if you leave the job?
- can you transfer the contributions to your employer's new plan?
- when could you begin receiving work pension benefits (at what age or, how long do you need to work for the company?)

4. Keeping Your Skills Sharp

Your chances of getting and keeping a good job, and staying employed are much better if you continue to upgrade your job skills. Try to expand your training and skills whenever you can. You are never too old to learn.

Find out whether your employer offers any training or will pay for you to attend courses. Find out what you need to become eligible for these. Also encourage your employer to make training and courses available. Your improved skills can make you even more valuable to your employer.

ACTION CHECKLIST

FOR WHEN YOU ARE WORKING

- [ ] Make use of job counselling services, particularly if they are free.
- [ ] Keep your skills current and upgrade them whenever possible.
- [ ] Learn what the provincial employment standards are, for you and your spouse or partner.
- [ ] Find out if your employer has a pension plan and what kind it is.
- [ ] If pension information or your collective agreement isn't already in plain language that you can understand, insist on it.
- [ ] Make sure that you understand any changes that your employer and your union are negotiating. Things that may not affect a man's job or long-term income security could significantly affect a woman's.

Find out what is available from your community college for weekend, evening or summer courses. Find out about student loans. Remember the interest you pay on a student loan is often tax-deductible.

Don't have your high school diploma yet? Find out how you can get your high school equivalency diploma instead. It is often easier than you think.

5. Job Counselling
Is your employer downsizing or making other changes in the company? If your employer offers job counselling or outplacement services at this time, put them to good use. This service is usually available at no cost.

PART THREE—When You Are Out of Work

Most women will be out of work at some point in their lives, whether by choice or by circumstances. They may not always realize the importance of their choices during these times.

A. EMPLOYMENT INSURANCE (EI)

Employment Insurance provides temporary income support for unemployed people while they look for work. The EI Program also offers information on job searches, upgrading job skills and career changes.

The amount you receive in EI benefits is based on your hours of paid work. Regardless of whether you work full-time, part-time, as a seasonal worker, or on and off throughout the year, the hours that you work accumulate toward your eligibility for EI benefits.

The basic benefit rate is 55% of your average weekly earnings. Women who have low family income and who receive the Child Tax Benefit from Revenue Canada may receive slightly higher benefits. You can continue to receive benefits for a period of between 14 and 45 weeks.

As a general rule, you must have worked a minimum of 420 to 700 hours in the last year before you become eligible to collect benefits. This depends on the level of unemployment in your region. The higher the unemployment rate, the fewer hours are needed.

If you are in the work force for the first time, or if you are going back to work after an absence of two years, you will need more hours of insurable work to qualify: a minimum of 910 hours in the last 52 weeks.

Other EI Benefits: In addition to regular benefits, EI offers maternity, parental and sickness benefits. Parental benefits are for people who have adopted a child. To be eligible to collect these particular benefits, you must have worked a minimum of 700 hours in the last 52 weeks. Unfortunately, we currently don't have EI benefits for women caring for aging parents.

Sometimes, the money that you are receiving from another source can affect your Employment Insurance benefits. That includes: money you receive for wrongful dismissal, return to work and call-back pay, self-employment earnings, and retirement income from an employment pension.

If you receive severance pay or vacation pay (or if your employer paid separation money into your RRSP when you left your job), that money may affect the date you start to receive benefits. Even if you have any of these kinds of earnings, it is important that you apply for EI as soon as you become unemployed.

ACTION CHECKLIST

WHEN YOU ARE OUT OF WORK

- ❑ Reduce the stress. Try to get your finances (for example, credit cards) under control so you aren't carrying a high debt.
- ❑ Try to build up an emergency fund to protect yourself in case of a job loss.
- ❑ Try to work as many insurable hours before leaving as possible.
- ❑ Apply for EI as soon as you become unemployed because there is always a delay before you receive benefits.
- ❑ Find out what's available in the job market, using not only the traditional resources such as newspapers, but also newer ones such as the Internet.
- ❑ To help you get back to work as soon as possible, spend at least as much time searching for a job as you spent at the former job.

B. SOCIAL ASSISTANCE

Job loss, underemployment, separation or divorce may cause a woman to have to rely on social assistance for a time. In 1998, there were 2.57 million Canadians receiving social assistance. Almost one in three (28.7%) of the people on social assistance were single parents.

Chances are very good that you or one of your friends or neighbours is, has been, or will be on social assistance at some point. Unfortunately, people who are on social assistance are often portrayed negatively, but don't let this get you down.

Most single mothers rely on welfare only once and for a relatively short period of time (less than two years). Women with one child are the quickest to become independent of social assistance.

Moving away from social assistance can be hard. A minimum wage job pays single mothers less than they would receive on welfare. In addition, low income working single mothers do not receive benefits such as dental and drug coverage that are available to single mothers receiving welfare.

In Canada, social assistance is not considered a right—you are not automatically entitled to it. You have to meet the eligibility requirements before you can receive social assistance. Those criteria vary from location to location. Rates of basic social assistance will vary, according to

- *Where you live:* Smaller towns receive lower rates than larger cities because shelter costs are lower.
- *The age of your children:* In some provinces, a family's entitlement depends on the age of the child/ren in the household.

- *Whether the head of the family is considered "employable":* There can be different categories for single, youth, youth couples, families with dependent children, adults aged 55 to 64, adults with alcohol or substance abuse dependency, people with disabilities, and people who are temporarily medically unemployable.
- *The type of housing you are in:* You receive less if the housing costs are subsidized or if your housing is shared.

In British Columbia and most other places in Canada, if you are living with someone, you will be treated as a common-law couple. That means you will receive assistance as a couple — not as two single people. It does not matter how long or short a time you have been together.

In some cases, special assistance is also available. Supplementary allowances are automatically paid to certain groups — for example, people with disabilities and people with school aged children. There are also payments for one-time special needs such as funeral expenses, moving, and home repairs. These are at the discretion of welfare workers.

Organizations such as the National Anti-Poverty Organization that work on behalf of people who are unemployed or on welfare can help you successfully deal with government officials or others in a position of authority. The *Single Women's Resource Guide* published by Vancouver Status of Women offers other good tips.

ACTION CHECKLIST

IF YOU ARE ON SOCIAL ASSISTANCE

- ❑ Learn what benefits and programs you could be eligible for. Be tireless and serious in your search so that you are not limited by lack of good information.
- ❑ Know your legal rights, and be prepared to fight for them. You will be much better off if you know the regulations, if you have an advocate, and if you keep good records.
- ❑ Keep appointments and be on time for them, even if you are kept waiting. If you can't make it, let them know.
- ❑ Do not take things personally. The people on the other end are usually following a policy. The policy might simply be to automatically say "no" to everyone the first time around.
- ❑ If you don't qualify now, find out what you have to do in order to qualify.
- ❑ Be prepared - know beforehand what documents to bring and what to expect. Keep a folder of all legal papers. Keep notes on conversations with government or other types of officials so you can remember what was said and what you need to do.
- ❑ Don't give up just because you are initially turned down. Go to an advocate - a person who works in the poverty area and who will help you at no cost. Find out how you can get the decision reviewed or appealed. Appeal it!
- ❑ Keep at it until you get what you need.

PART FOUR—Planning Your Retirement

Does retirement seem a long way off? Do you think you don't need to worry about a pension? Stop and think again! Whether you do paid or unpaid work, pensions will be extremely important as sources of late life income. That means you need to consider them now, whatever your age.

A. DECIDING WHEN TO RETIRE

Deciding when to retire could be one of the most important financial decisions that you will have to make. Leaving work too soon can reduce your late life income forever.

In Canada, married women generally retire earlier than married men. On average, married women retire around age 58. They retire early for many reasons: because their spouse/ partner has retired, because they want to stop working, or perhaps because their own health or a family member's health is poor.

Many women don't think about the possibility that they may have to care for an aging parent. However, over one-half of adult women with a surviving parent can expect to provide care at some point in the future. Retiring early or reducing work hours to give care can be a difficult choice. It may have a significant impact on your future financial security.

Before you think of reducing hours or retiring, start asking about alternatives. Does your employer provide any paid or unpaid time off for these kinds of responsibilities? Is there a flexible retirement plan that won't cut your benefits? If not, see what can be done to change the situation.

Unless you have carefully planned your finances and are assured that your retirement income will be enough for your needs, you may face some harsh realities. Also keep in mind that becoming a widow or being divorced at some point in your life is a real possibility.

B. WHAT'S AVAILABLE WHEN YOU RETIRE

There are four types of pensions available in Canada, and most women will need to rely on a combination of these to be financially secure:

- Old Age Security—available for almost all seniors,
- Guaranteed Income Supplement, and Spouses Allowance—available for low income seniors,
- Canada Pension Plan/Quebec Pension Plan—available for people who have been in paid employment,
- Private pensions, including workplace pensions and Registered Retirement Saving Plans

Here, we describe all four types to help give you a sense of what's available when you retire.

You have to apply for the government benefits. They are not automatic, but as long as you meet the criteria, you will get them.

1. Government Benefits

a. Old Age Security

The Old Age Security (OAS) is a government pension paid to Canadians, whether or not they have participated in the work force. Contrary to what you might have heard, it is not just for poor people, but you must apply for it.

You are eligible for this benefit if:

- You are 65 or over
- You live in Canada
- You are a Canadian citizen or a legal resident
- You have lived in Canada at least ten years as an adult.

If you lived and worked in another country, you may qualify for OAS benefits with fewer years of residence in Canada, or you may qualify for a pension from that country as well. The OAS is indexed for protection against inflation. In 2000, it pays just over $400 a month.

b. Guaranteed Income Supplement (GIS)

The GIS provides additional money for people who have very little income. To receive the GIS, you have to apply for it, live in Canada and qualify for Old Age Security.

There are different payment rates under the GIS for single people and couples. The GIS is not based on the property that you own or any money you have in the bank. It is based on your marital status, your income, and the income of your spouse or common-law partner, if you have one. (For GIS, if you have lived together for at least one year, the two of you are considered a common-law couple).

To qualify as a single pensioner, you and your husband or partner must have lived separately for at least six months. Women whose husbands have to move into a care facility are eligible to be treated as single because this is seen as an involuntary separation. However, you must let the Income Security people know about this change in your circumstances.

c. Spouse's Allowance & the Widowed Spouse's Allowance

Are you aged 60-64? You may be eligible for a Spouse's Allowance (SPA). It is paid to people who have a low income, if their spouse is getting Old Age Security and the Guaranteed Income Supplement. You are not eligible if you have been separated for more than 3 months or if you are divorced.

If you are 60 to 64 and married to someone receiving Old Age Security, your Spouses' Allowance will stop if you separate or divorce.

If you are receiving the Spouse's Allowance and your spouse dies, you may qualify for the Widowed Spouse's Allowance (WSA). The WSA is paid to widows who are between 60 and 64 years old, and have a low income.

Both of these benefits are paid until you turn 65, as long as there is no change in your marital status and your income remains low. Other requirements such as residence are the same as for Old Age Security. The amounts you receive from these benefits will depend on your yearly income.

2. Canada Pension Plan

The Canada Pension Plan (CPP) is a pension administered by the federal government. It is more than just a retirement plan. It also provides some protection in the event of disability and death.

CPP is for people who have had a paid job in Canada or for those who are self-employed. Québec workers come under the Québec Pension Plan (QPP), and the rules are similar to those of CPP. Both plans are mandatory and financed by workers' (you) and employers' (your bosses') contributions. You must contribute if you do paid work.

CPP is intended to provide you with about 25% of your working income when you retire. The CPP is very good for women as

- it allows for time away from the job to raise children (it does not count this as part of your contributory period)
- it covers many (but unfortunately not all) part-time jobs
- it is portable (that means, you can contribute anywhere you work in Canada)
- it is indexed (that is, it increases according to the inflation rate).

The Canada Pension Plan has two main types of benefits.

a. Regular Retirement Benefits

Your retirement pension from the Canada Pension Plan is based on how much, and for how long, you contributed to the Plan. The benefits also depend on the age at which you choose to retire.

Many women have had times when they had little or no earnings. Fortunately, the CPP allows for that. It will exclude up to 15% of the leanest years that you worked from age 18 to 65. The Plan can also exclude periods you left the work force to care for children under the age of seven. This is referred to as *the child* *dropout period.* In effect, that child dropout period can raise the amount you receive from the Canada Pension Plan. It can also help make you eligible for other CPP benefits (such as death benefits and disability benefits).

When you apply for any Canada Pension Plan benefit, you will need to complete the Canada Pension Plan Child Rearing Drop-out Provision application to make sure you get your full entitled amount.

What Will I Get From CPP?

You should automatically receive a Statement of Contributions every few years, and you can ask for a copy. Your statement shows what you contributed year by year. It gives your "pensionable" earnings and estimates what your benefits would be if you were eligible for CPP now.

Check your statement carefully, particularly your earnings and contributions. You should compare these amounts to any previous T4 (income tax) slips. If you disagree with any of the figures, contact the Income Security Program people immediately (see "Valuable Resources" section). A mistake could have an effect on the amount of your future Canada Pension Plan benefits.

Spouses or partners who are already receiving their Canada Pension Plan retirement pension(s) can share their pension by having part of their benefits "assigned" to the other person. People do this to make their incomes more even or to help reduce income taxes. This does not increase or decrease the overall benefits paid.

b. Survivor & Death Benefits

CPP also has survivor benefits for spouses or partners. You may receive up to 60% of what your spouse or partner would have received, depending on your own CPP situation. The amount depends on:

- How much and for how long your spouse paid into CPP
- Your age at the time of your spouse's death
- Whether you are receiving a CPP Disability or Retirement Pension.

CPP first calculates how much your spouse's CPP Retirement Pension is (or would have been if she/he had been age 65 at the time of death). Then, they make a further calculation based on your age at the time of your spouse's death. Survivors' benefits continue to be paid if you remarry.

The CPP also provides death benefits. This is a one-time lump sum payment. The maximum is $2,500.

Applying Early For CPP

Age 65 is considered the standard retirement age, but the CPP is flexible. It allows you to retire from paid work as early as age 60 and as late as age 70.

The catch is, for each month you retire before reaching 65, your CPP pension will be *permanently reduced* by one half of one percent for each month you are under 65, and it never goes up. For example, if you retired at age 60, your benefits will decrease by 30%. That can have a long-term impact on your resources.

Let's do the math: At 65, Martha is entitled to receive $300 monthly from CPP. By age 75 she would have received $300 x 12 months X 10 years = $36,000. By age 80, she would have received $54,000 in total.

But if Martha applied for CPP early, say at age 60, (60 months early x .5% each month), she will receive 30% less. Therefore, she will only get $210 a month. By age 75, she will have received $37,800 in total payments. But by age 80, she will have received $50,400 in total ($3,600 less than if she had retired at age 65).

Generally speaking, the higher your income, the more you will lose in the long run by taking CPP early. Because you will probably outlive your spouse or partner, this income could represent an important part of your financial security. If you are now under 65, consider these facts carefully before you decide to apply for your CPP benefits early.

3. Workplace Pensions (Registered Pension Plans)
Workplace pensions are sponsored by employers, unions, or professional organizations and are registered with Revenue Canada. They are governed by provincial pensions standards, so there may be differences among provinces. Basically, workplace pension plans are a way of saving some of today's wages to provide you with retirement income in the future.

Learn the pension language. Over nine out of ten people covered by a pension plan have a *defined benefit plan.* These provide benefits based on a formula that includes the number of years you were employed and your final average employment earnings (commonly the earnings during the five best income years with the employer).

Some employers provide pensions to part-time workers. Part-time workers may be eligible to join the pension plan if they've been working two years and if they have been contributing a specified amount to the Canada Pension Plan. Try hard to meet those pension requirements. If the plan is optional for part-timers, join it.

In 1997, 42% of all Canadian workers had a registered pension plan. At present, 44% of all the people covered by these plans are women. This is an improvement over earlier years. However, because women's occupations and work patterns are different than men's, their actual pension benefits are often lower.

Fewer than two-thirds of seniors have work-related pensions that are indexed to the cost of living. Inflation can quickly erode a workplace pension if it is not indexed. A 65-year old woman who has a pension that is not indexed will see her pension's purchasing power decrease by more than a third (35%) by the time she is 80. That is a big concern for many older women.

Be sure you learn as much as you can about your workplace pension and your pension options. For example, if you take time out from work, find out if you can add to or *"top off"* your pension contributions so you will not be penalized when you leave. Check to see if it also provides survivor's and death benefits. Also find out if you can retire gradually, work part time or job share, without losing some of your pension benefits.

Workplace pensions are now required to provide survivors' benefits, unless both spouses indicate in writing that they do not want them. Sometimes, people do not realize the implications. While they may receive more pension money now when they are both alive, they may be jeopardizing their surviving spouse's or partner future financial security.

ACTION CHECKLIST

FOR WHEN YOU ARE WORKING

You should find out

- ❑ Are you covered by the pension plan?
- ❑ What kind of plan is it?
- ❑ Does your employer contribute to the plan as well?
- ❑ How long do you have to be employed with the company before you become covered under the plan?
- ❑ What happens if you leave the company before you reach retirement age?
- ❑ Are part-time workers covered? What are the requirements? Is it optional or compulsory for part-timers?
- ❑ Is the plan indexed against inflation?
- ❑ Can you top it up?
- ❑ Can you transfer your old employer's pension plan to your new employer's plan? Is it portable?
- ❑ Does the plan cover medical and dental benefits after you retire?

You are entitled to have this information and should ask your employer for it. In larger organizations, the Human Resources officer can help you with pension questions.

4. Registered Retirement Savings Plans (RRSPs)
RRSPs can be a good way for people to save for their retirement. This is because what you put into an RRSP is not taxed until you withdraw it and because you may be in a lower income bracket when you retire.

You can contribute 18% of your income, to a maximum of $13,500 annually (and that would be for someone who earns $75,000). Today more women (especially those with higher incomes) are investing in RRSPs than ever before. Obviously, for women in any income bracket, being able to contribute depends on how much money you have available after paying for your basic expenses.

The more you earn, the more an RRSP is to your advantage. For example, if you earn $27,000, and contribute $1,000 to an RRSP, you save approximately $250 in taxes. If you earn $37,000, the same $1,000 contribution saves you approximately $390 in taxes.

It can be helpful to remember that

- Almost any RRSP deduction is an automatic tax saving, if you have taxable income.
- It is often possible to take out a loan in order to make an RRSP contribution (in the last few years these loans have had low interest rates). You can pay back part of the loan with a tax refund (assuming there is one).
- The money in your RRSP becomes part of your retirement income.

Women sometimes withdraw funds from RRSPS early, needing the money because of unemployment, or for education or housing. If you are using the money for buying a first time home or full-time education, and meet the government's rules, you can withdraw your RRSPs without immediately having to pay taxes on it. Otherwise, you will be taxed on the money at the time you withdraw it, and you may have more taxes to pay at tax time. Plus you lose the normal long term building power of those funds.

Think very carefully before you withdraw funds. Figure out which will benefit you most: meeting your short-term needs or the longer-term benefit?

When you leave work, a good severance package can make a big difference in your personal finances. Check to see if money you receive when you leave (your "severance allowance") can be transferred to your RRSP tax-free. Otherwise, you are paying taxes on the full amount now.

When you reach the age of 69, you have two choices. You can withdraw the RRSP funds and pay the taxes due. Or you can turn the RRSP funds into an annuity or Registered Retirement Income. You pay taxes on the income you receive. Annuities pay women less than men because financial institutions take into account the fact that women live longer.

ACTION CHECK LIST

FOR RETIREMENT PLANNING

- ❑ Retiring before 65 could be costly. Do your homework before you decide.
- ❑ Many women retire when their husbands/ partners do. Think about the advantages and disadvantages for you, now and in the future.
- ❑ Realistically assess the possibility that you will be giving care to an older member of your family (likely a parent) in the future.
- ❑ Find out if your employer provides for short leaves without losing some of your pension benefits. If not, suggest they consider this.
- ❑ Investigate whether any of your pension sources will cover your medical, dental, or prescriptions costs after you have retired.

KEY POINTS TO REMEMBER

- **Focus on what can be done now.** You may have reached an age where you feel frustrated that you didn't do things differently, e.g. started saving earlier or tried a different job. Don't get stuck on what you might have done. You can't change the past. What you can do is take control of the present and start to shape your future. Consider contributing as much as you can to RRSPs, changing your job plans, or getting more training or education.

- **Decide to start saving.** Even if you can only put away $25, $50 or $100 a month for your future, that's a good start. The sooner you start, the better.

- **Build up your knowledge.** Don't let lack of information cheat you. Know what all your choices are, so you will make smart decisions.

- **Take advantage of all the help you can get.** It is absolutely vital that you take advantage of any employer-sponsored retirement plans. Try to contribute the maximum to any plan available.

- **Reassess your situation from time to time.**

WORKING TOGETHER FOR CHANGE

Most of this booklet has focussed on individual choices and decisions, but that can mean very little if women collectively don't have many options. We need to take leadership in this area by helping each other. Let's start to

- request plain language information from our employers or from government about available benefits
- understand current government policies, and the impact on women of any proposed changes
- take the lead in today's policies on employment, family benefits, elder care and pensions: for example, advocating need for a drop-out period for elder care under CPP; or for flexible pension schemes.

Remember most women will live on their own at some point in their lives. They are often their own financial support for decades.

CONCLUSION

Nothing in life is certain, and we are rarely 100% sure when we make a decision. But as women we can make smart financial choices if we gather the best information available, help each other, and work for strong supports in our society.

VALUABLE RESOURCES

Federal Sources
To contact any Government of Canada department not listed below, call 1-800-O CANADA. Be patient.

For information on Income Security Programs: Old Age Security, Guaranteed Income Supplement, and Canada Pension Plan, call free of charge: 1-800-277-9914 (English) or 1-800-277-9915 (French). If you use a TDD/TTY device, call: 1-800-255-4786.

Most of Revenue Canada's publications can be found at www.rc.gc.ca on the Internet.

The Employment Insurance program can be found under Government of Canada, "Human Resources Development Canada" in the Blue Pages of the telephone book. Also see their Website, at http://www.hrdc-drhc.gc.ca/ei/common/home.shtml

Looking for Work?
In addition to newspapers, and contacting people you know, try the Internet. Many public libraries give free access. Here are some sites:

Electronic Labour Exchange (connecting employers and employees)
  http://www.ele-spe.org

Work Destinations (a guide to work and relocation in Canada)
  http:/www.workdestinations.org

Job Bank (job listings)
  http://jb-ge.hrdc-drhc.gc.ca

Work Search (a guide for anyone looking for work)
  http://www.worksearch.gc.ca

Considering Self Employment in B.C.?
Contact the Women's Enterprise Society in Kelowna, for an information package, call 1-800-643-7014.

Provincial Sources

To locate an appropriate provincial department, look in the blue pages of your phone book. In B.C., call Enquiry B.C., 660-2421, or 1-800-663-7867 from outside the Lower Mainland.

In B.C., the People's Law School has many free and helpful fact sheets. Their address is Suite 150, 900 Howe Street, Vancouver, B.C., V6Z 2M4, phone: 604-331-5400. There are agencies that provide similar public legal education in Winnipeg, Halifax, Edmonton, Saskatoon, Calgary, Whitehorse, Fredericton, Toronto, Charlottetown, and St. Johns.

In B.C., Dial-A-Law has a library of pre-recorded tapes with information about laws in B.C, such as *If Your Marriage Breaks Up (Dealing with Legal Problems);* and *Common-law Relationships: What Happens When Your Partner Dies.* In the Lower Mainland, phone 687-4680; outside the Lower Mainland, phone toll-free 1-800-565-5297.

Other Helpful Resources

The YWCA Women's Information Centre has valuable information on many issues affecting women. Call 1-604-895-5790. Their website is: http://www.ywcavan.org.

Almost every community has a number of resources that you may find helpful at some point. In the blue pages of your telephone directory, under Government of B.C., you will find:

- Debtors Counselling, Ministry of the Attorney General
- Family Enforcement Maintenance Program, Ministry of the Attorney General

Employment Labour Standards: For information, look in the Blue Pages, Government of B.C., Employment Standards. They are located at 126-800 Hornby, Vancouver, B.C. Phone: (604) 775-

1974 or call 1-800-663-3116 for information on the Act. To contact the National Anti-Poverty Organization, phone 1-800-810-1076 to put you in contact with resources in your community.

The Gerontology Research Centre (Simon Fraser University, Vancouver BC) provides a wide variety of information on aging and social issues affecting older adults. They can be reached at 604-291-5062. Their website is http://biblio.ucs.sfu.ca/gero/. This booklet can also be found there.

Written Resources

- *Independent Means: A Canadian Woman's Guide to Pensions and a Secure Financial Future.* Monica Townson (1997) (Toronto: Macmillan)
- *Your Welfare Rights: A Users Guide to B.C. Benefits, (July 1999),* produced by Legal Services Society
- *Single Women's Resource Guide,* produced by Vancouver Status of Women
- *Information for Seniors,* Seniors Advisory Council, (1997) (Victoria, B.C)
- *Facing Widowhood: A Practical Guide,* Zimmerman, L. & Spencer, C. (1999) Gerontology Research Centre, Simon Fraser University.

Additional Resources for Women in Their 60's and Later

Local senior's centres often provide assistance with filling out forms and offer free information on receiving benefits. Seniors' centres in B.C. also have copies of the newly revised booklet *When I'm 64*. It is a guide to senior citizen benefits and other valuable resources in the province.

The Canadian Association of Retired Persons carries a regular Financial Guide column in their newspaper "*50+*". It is published six times a year.

YWCA
of Vancouver

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