

## Deductions

When you get your first paycheck you might be shocked to see that you are getting less money than you thought. The reason for this is deductions. Deductions hurt at first but they are like insurance and can help you later on. You can not refuse most of these deductions.

This is what the deductions are:

### Canada Revenue Agency Deductions (CRA)

#### Employment Insurance (EI)

- 12-18
- If you lose your job because of a lay-off (shortage of work) then you can apply for EI. There are rules to follow but you may be able to get some money while you are looking for work. EI will give you about half of what your monthly salary was at your last job.
  - EI also covers maternity leave. A parent may receive about half their salary while they stay home to look after a new baby. The mother can stay home for almost a year or she can share this leave with the baby's father (paternity leave).
  - If you have a long term sickness or injury you may get money from EI for up to 15 weeks.

#### Canada Pension Plan (CPP)

- 5% of your salary is deducted for your CPP. The employer will match the amount you pay for CPP. This means that each year you will have about 10% of your salary in savings for when you are older and can't work anymore.
- When you are about 65 you can start to receive payments from the money you have in CPP. It is not enough money to live on though. Most pensioners get around \$400 a month.
- Every Canadian also receives "Old Age Security" checks when they reach age 65. It is also about \$400. This is a benefit that you don't have to pay for directly.

#### Income Tax

- Every Canadian has to pay federal and provincial taxes. The amount increases with the amount of money you earn. The money is taken off your check each pay period. Then at income tax time (April) you may get some money back.

### Company Deductions

#### Benefits

- You will pay part of the premium for your benefit coverage. The amount you pay usually gets less the longer you work for a company. Benefit coverage is not optional unless you are covered by your spouse's plan.
- However the amount you pay is small in comparison to the value of what you get in return.

#### Union Dues

- If your company is part of a union you will have to pay union dues. It is not optional. However you can deduct union dues from your income tax.

#### Registered Retirement Savings Plan (RRSP)

- This deduction would be optional if it is offered at your company. It is a way to save money for your retirement. You don't have to pay income tax on money you put in RRSPs until you take it out.