

# Canada Pension Plan General Information

Highlighted below is key information on the Canada Pension Plan, including:

- Contributions
- Types of Benefits
- Canada Pension Plan enhancement
- Pension Sharing
- Credit Splitting
- Where to find personal pension benefits

## Contributions

Contributions to the Canada Pension Plan are mandatory for every Canadian earning a salary over the age of 18 working in Canada. As of 2022 each contributor pays **5.70%** of their salary up to a yearly maximum, and their employer matches their contributions for a total contribution of **11.40%**. Self-employed individuals pay the full 11.40%. The contributions of a self-employed individual is based on their net business income. The maximum salary level is adjusted every January for inflation.

An employee maximizing their CPP contribution will be investing \$3,500 of their annual salary towards their future pension benefits. A self-employed individual will contribute twice the maximum towards their pension, which is \$7,000.

A minimum level of earnings is required before CPP contributions are made and this is currently set at **\$3,500/yr.**

Contributions are mandatory for all salaried individuals up to age 65, after which optional contributions are allowed via the Post-Retirement Benefit.

If you took time off work or worked less to care for young children, you may be able to increase the amount of your CPP benefit through the CPP Child-Rearing provision. If you were the primary caregiver of a dependent child under 7 years old and you or your spouse received family allowance payments or qualified for the Canada Child benefit you may qualify.

## Benefit Types

The Canada Pension Plan is geared to replace a portion of the income for a working Canadian upon incidence of one of the three following events: retirement, disability or death.

### *Retirement Pension*

- Available as early as age 60 or as late as age 70. Taking CPP early would result in a reduction of benefits by 0.6% per month taken prior to age 65. Deferring CPP would result in an enhancement of 0.7% for every month deferred after age 65 until age 70. There is no further increase of CPP benefits if taken after age 70.
- Provides a monthly income benefit, indexed to the CPI, for life;
- To qualify, an individual needs to have contributed in at least one year of their working life. How much you receive is based on different factors, such as age when you start CPP, how long and how much have you contributed to the CPP, and your average earnings during your working life.

### *Disability Benefits*

- Available for disabled individuals under age 65 who have contributed to CPP for at least 4 of the last 6 years (or 3 of the last 6 years if contributions have exceeded 25 years). In order to qualify, the disability must be both severe and prolonged or is likely to result in early death. The benefit ceases at age 65 and converts to a normal CPP retirement pension.

CPP Children's Benefit – If you are eligible to receive a disability benefit, children under 18, or children ages 18 to 25 and attending school full time, can receive a monthly benefit also.

### *Survivor Benefits*

Death of a CPP contributor pays a lump sum death benefit, survivor pension benefits and/or a monthly benefit for dependent children.

- **Death benefit:** Lump sum payable to the estate of the deceased. Maximum benefit is \$2,500 and amount received depends on contributions made during one's lifetime to the CPP.
- **Survivor pension benefits:** A monthly pension paid to the legal or common law partner of a deceased CPP contributor. The deceased must have made contributions to the CPP for one-third of their working years, or 10 calendar years (whichever is less), in order for survivor benefits to apply. The minimum contributory requirement is 3 working years. See the table below for details on benefit qualifications.
- **Children's benefit:** A monthly pension paid to dependent children under age 18, or those between ages 18 and 25 who are attending school or university full time. This is a flat rate adjusted annually.

<b>Canada Pension Plan Survivor Benefits</b>	
<b>If the survivor is:</b>	<b>Then the calculation is:</b>
<ul style="list-style-type: none"> <li>• age 65 or more</li> </ul>	<ul style="list-style-type: none"> <li>• 60 per cent of the contributor's retirement pension, if the surviving spouse or common-law partner is not receiving other CPP benefits</li> </ul>
<ul style="list-style-type: none"> <li>• age 45 to 64</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• under age 45</li> </ul> <p><b>and</b></p> <ul style="list-style-type: none"> <li>• disabled (according to CPP legislation)</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• raising a dependent child</li> </ul>	<ul style="list-style-type: none"> <li>• A flat rate portion</li> </ul> <p><b>plus</b></p> <p>37.5 per cent of the contributor's retirement pension, if the surviving spouse or common-law partner is not receiving other CPP benefits</p>
<ul style="list-style-type: none"> <li>• under age 45</li> </ul> <p><b>and</b></p> <ul style="list-style-type: none"> <li>◦ not disabled (<i>according to CPP legislation</i>)</li> </ul> <p><b>and</b></p> <ul style="list-style-type: none"> <li>◦ <b>not</b> raising your dependent child</li> </ul>	<ul style="list-style-type: none"> <li>• As above (<i>age 45 to 64</i>)</li> </ul> <p><b>minus</b></p> <p>1/120 for each month the spouse or common-law partner is under the age of 45 at the time of the contributor's death</p>
<ul style="list-style-type: none"> <li>• under age 35</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>◦ <b>not</b> disabled (<i>according to CPP legislation</i>)</li> </ul> <p><b>and</b></p> <ul style="list-style-type: none"> <li>◦ <b>not</b> raising your dependent child</li> </ul>	<ul style="list-style-type: none"> <li>• No benefits are available until the survivor reaches age 65 and applies for a survivor pension</li> </ul> <p><b>or</b></p> <ul style="list-style-type: none"> <li>• becomes disabled</li> </ul>

Source: Service Canada

For maximum benefits received, please refer to the Government Pension Benefits information piece.

### **Benefit Changes (2013 – 2016)**

Recently, the Canada Pension Plan has undergone a number of changes that will affect the future pensions of current CPP contributors. Highlights of these changes are listed below, but full details are available on the My Service Canada website ([www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)).

- The monthly CPP retirement pension amount will increase by a higher percentage if taken after age 65.
- The monthly CPP retirement pension amount will decrease by a larger percentage if taken before age 65.
- A longer period of low earnings will be automatically dropped from the calculation of the CPP retirement pension.
- Contributors will be able to receive their CPP retirement pension without any work interruption.
- If you are under 65 and you work while receiving your CPP retirement pension, you and your employer will have to continue making CPP contributions (or if you work outside of Quebec while receiving a QPP retirement pension). These contributions will increase your CPP benefits.
- If you are between the ages of 65 and 70 and you work while receiving your CPP retirement pension, you can choose to continue making CPP contributions (or if you work outside of Quebec while receiving a QPP retirement pension). These contributions will increase your CPP benefits.

## Canada Pension Plan Enhancement

Since 2019 the CPP benefit has been gradually increasing. This enhancement works as a top up to the base amount of CPP benefits. Prior to 2019, the CPP aimed to replace ***one quarter*** of your average work earnings, up to a maximum earnings limit set each year (referred to as the Yearly Maximum Pensionable Earnings or YMPE). Now the CPP enhancement is gradually increasing with the goal of replacing ***one third*** of your average work earnings, up to the set earnings limit.

It is important to highlight, that the CPP enhancement will only benefit to those making contributions as of January 1, 2019. As a result, those already in receipt of CPP benefits will not benefit from this enhancement.

In order to fund the enhanced benefits, contributions into the plan will increase progressively as follows:

### PART ONE (2019 – 2023) A GRADUAL CONTRIBUTION INCREASE TOTALING 1%

Year	Employee/employer increase	Self-employed increase	Employer/Employee rate	Self-employed rate
2019	0.15%	0.3%	5.10%	10.2%
2020	0.15%	0.3%	5.25%	10.5%
2021	0.2%	0.4%	5.45%	10.9%
2022	0.25%	0.5%	5.70%	11.4%
2023	0.25%	0.5%	5.95%	11.9%

### PART TWO (2024 – 2025)

A new, higher limit will be created and an additional CPP contribution of 4% of your earnings will be made. This second limit is known as the Yearly Additional Maximum Pensionable Earnings of YAMPE. The Additional Yearly Maximum Pensionable Earnings will start at the cap of the Yearly Maximum Pensionable Earnings and will be 14% higher than the ceiling of the first tier. This will be done in two 7% increments over two years. If you are self-employed, your contributions will be doubled as you will make contributions as both employer and employee. Enhanced CPP contributions will be tax deductible for both employees and employers, just as the original CPP contributions are.

## Pension Sharing

To reduce taxable income, it is possible to share Canada Pension Plan income between spouses or common law partners who are living together. The amount available to be shared will be based on the number of months of cohabitation compared to the number of months of contributions made to the CPP. A CPP pensioner can share up to 50% of their monthly retirement benefit as long as their spouse is at least age 65. The Post-Retirement benefit is not eligible for pension sharing.

## Credit Splitting

Upon separation, divorce or annulment of a marriage or common law partnership, it is possible to split Canada Pension Plan contributions between spouses as part of joint matrimonial property. CPP benefits accrued during the cohabitation period are eligible to be split. Even if one spouse has never worked, they will still be available to receive CPP credits and associated future retirement benefits.

## Individual Pension Information

On occasion, you will receive a statement of contributions and projection of future CPP benefits. It is possible to gain access to this information at any time via the My Service Canada website. You will need to sign up for a My Service Canada account to gain access to this information at:

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>.

For all other information related to the Canada Pension Plan and other government pension benefits, please refer to:

<https://www.canada.ca/en/services/benefits/publicpensions.html>

Source: <https://www.canada.ca/en/services/benefits/publicpensions.html>

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