



Estimating Monthly CPP/QPP Retirement Benefits

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After many years of contributing to the Canada/Quebec Pension Plan (CPP/QPP), you may be curious to know what your CPP/QPP benefit will be when you retire. Here's a formula to help you figure it out.

Formula to estimate CPP/QPP

If you would like a **rough estimate** for planning purposes of your monthly CPP/QPP benefit at age 65 (in 2008 dollars), you can use the following formula:

$A \times [B \div (C \times 85\%)] \times \text{Maximum CPP at age 65 for the current year}$

Note: The portion of the above formula ($B \div (C \times 85\%)$) can only be a maximum of 1.

WHAT THE VARIABLES STAND FOR

A = % of your annual employment or self-employment income compared to the average Yearly Maximum Pensionable Earnings (YMPE). "A" cannot be greater than 100%.

The YMPE is the annual level of employment or self-employment income required to make maximum CPP/QPP contributions. The YMPE is adjusted annually for inflation. The average YMPE is the average of the YMPE for the last five years. If you estimate that your annual average income level during your working years was at least the average YMPE in that year, then you should use $A = 1$ in the above formula. If you estimate that your income level was about 75% of the average YMPE during your working career, then you should use $A = 0.75$, and so forth.

B = Number of years that you contributed to CPP/QPP.

C = Maximum number of years that you could have contributed to CPP/QPP (e.g. contributions to CPP/QPP could have commenced on January 1, 1966, or the year in which you turned 18 years old, whichever was later). The maximum contributory period ends in the year that you begin collecting CPP/QPP (i.e. between the ages of 60 and 70).

85% is used in the calculation to provide a higher benefit than you might be entitled to otherwise. The CPP drops 15% of your contributory period from the calculation, which is intended to represent the period in which your earnings from, and therefore your contributions to, the CPP were lowest over the maximum number of contributory years.

Other adjustments the CPP makes to the formula include:

- Periods when you stop working or your earnings are lower while you raise your children under the age of seven
- Months after the age of 65 (which can be used to replace any low-earning months before 65)
- Any month when you were eligible for a CPP disability benefit

EXAMPLE

Assume Sally commenced contributing to CPP at age 22 (in 1975) and stopped contributing at age 55.

She plans to start collecting CPP at age 65, and her income has always been above the average YMPE (i.e. A = 1). Therefore, B = 33 (55 – 22) and C = 47 (65 – 18).

An estimate of her CPP benefit at age 65 (in today's dollars) is as follows:

$$1 \times [33 \div (47 \times 0.85)] \times \$884.58 = \$730.69$$

(\$884.58 is the maximum CPP in 2008. Please verify the maximum for the year you are calculating.)

For More Information

If you wish to obtain a statement detailing the history of your annual CPP contributions and an estimate of your CPP benefit, you should contact the Income & Security Programs at 1-877-454-4051 or apply online at www.hrsdc.gc.ca/en/isp/cpp/soc/soctoc.shtml.

Quebec residents can contact the Quebec Pension Plan at 1-800-463-5185 or apply online at www.rrq.gouv.qc.ca/en/planification/simulation.

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