



THE NAVIGATOR

SHARING OF CPP/QPP RETIREMENT PENSIONS

A tax planning strategy involving your retirement pension

You should obtain professional advice from a qualified tax advisor before acting on any of the information in this article. This will ensure that your own circumstances have been considered properly and that action is taken on the latest information available.

This article outlines how you may be able to share your CPP and/or QPP benefits with your spouse to reduce your overall family tax bill. Both CPP and QPP benefit plans allow spouses to share the pension benefits they earn with each other. Please note that any other reference to the term spouse in this article also refers to a common-law (de facto) partner.

Spouses should consider sharing their CPP/QPP retirement pensions if the higher income spouse also receives a larger CPP/QPP benefit. By electing to share their pensions, a portion of the higher income spouse's retirement pension may be received by the lower income spouse and taxed in the lower income spouse's hands.

Since the eligibility requirements for each plan vary a bit, each retirement pension plan and the pension sharing strategy will be discussed separately.

CANADA PENSION PLAN (CPP)

WHO IS ELIGIBLE FOR CPP SHARING?

To qualify for CPP retirement pension sharing, both spouses must be:

- 60 years of age or over; and
- A recipient or applicant of a

pension benefit from CPP or a non-contributor to CPP

APPLICATION FOR CPP SHARING

The application form for sharing CPP retirement pension benefits can be downloaded from the Service Canada website. Supporting documents that must accompany the application include certified copies of the marriage certificate or, if in a common-law relationship, a declaration of the common-law union. Your social insurance number must be on all documents (except originals) prior to sending. The completed form, with the supporting documents, should be sent to the Service Canada office nearest to you. For a list of Service Canada offices and their respective addresses, please visit the Service Canada website.

THE EFFECT OF SHARING CPP

Spouses who apply and are eligible to share their CPP will receive a portion of the other spouse's pension. This does not result in an increase or decrease in the total CPP received by the couple. The pension sharing process combines both spouses' pension entitlements that have accumulated during the time the spouses have lived together and reallocates 50% of the combined entitlements to each spouse. This may result in tax savings to the couple.

Example

Alice and Brad have been living together since 1988, and they currently receive monthly CPP retirement pensions of \$500 and \$200 respectively. Alice and Brad accumulated \$100 and \$0 of entitlements respectively prior to living together, and \$400 and \$200 of



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entitlements respectively while living together. By sharing their retirement pensions, Alice will receive a CPP pension of \$400 ($\$100 + 50\%$ of $[\$400 + \$200]$) per month. Brad will receive \$300 ($\$0 + 50\%$ of $[\$400 + \$200]$) per month.

TERMINATION OF CPP SHARING

The sharing of CPP retirement pension payments ends at the earliest of:

- The month in which either spouse dies;
- The 12th month after a separation;
- The month of divorce;
- The month a common-law relationship ends;
- The month that the non-contributing spouse becomes a contributor; or
- The month following Service Canada's approval of a written request by both spouses to terminate the arrangement.

QUEBEC PENSION PLAN (QPP)

WHO IS ELIGIBLE FOR QPP SHARING?

To be eligible for QPP sharing, you must either be married or in a civil union and not be legally separated from your spouse. You could also be eligible if you and your partner meet the criteria of a de facto (common law) spouse for QPP purposes (i.e. you have been living together in a conjugal relationship for at least three years or, if you have had or adopted a child during your union, you have been living together for at least one year).

In addition, at the time of application, both of you must be at least 60 years of age, and:

- Each of you must be receiving a pension benefit from QPP; or
- One of you is receiving a pension benefit from QPP and the other

spouse is either receiving a retirement pension under the CPP, or has never contributed to either the CPP or QPP.

APPLICATION FOR SHARING QPP

The application form for sharing QPP retirement benefits may be downloaded from the Régie des Rentes du Québec website. The application process differs depending on the type of relationship, as follows:

- **Marriage or civil union** – One of two spouses must complete the application in writing;
- **Marriage or civil union and lived together prior to marriage or civil union** – Spouses must complete a joint application in writing and neither can have been married or in a civil union during the period in which they lived together prior to their marriage or civil union; and
- **De facto spouses** – Spouses must complete a joint application in writing and neither can have been married or in a civil union during the period they have been living together.

THE EFFECT OF SHARING QPP

Similar to the effect of sharing CPP, the QPP sharing process essentially transfers a portion of your QPP entitlement to your spouse and a portion of theirs to you. The QPP sharing process combines both spouses' pension entitlements accumulated during the time the spouses cohabited, and reallocates 50% of the combined entitlements to each spouse. For an example of how this works numerically, please refer to the example in the CPP-sharing section.

TERMINATION OF QPP SHARING

The sharing of retirement pension payments will end at the earliest of:

Sharing of CPP/QPP retirement pensions should be avoided where pension entitlement accumulated by the lower income spouse exceeds that of the higher income spouse during the time they live together.

- The month in which either spouse dies;
- The date a judgment of divorce, separation agreement, marriage annulment, dissolution or annulment of a civil union or a notarized declaration of dissolution of a civil union is received;
- The date an application for the cessation of pension sharing is signed by both married spouses or both spouses in a civil union or by either of the de facto spouses;
- The 12th month after a separation of a de facto couple; or
- The date the non-contributing spouse to either CPP or QPP becomes a contributor to either plan.

WHEN NOT TO SHARE CPP/QPP PENSIONS

Sharing of CPP/QPP retirement pensions should be avoided where pension entitlement accumulated by the lower income spouse exceeds that of the higher income spouse during the time they live together.

SPOUSES WHO CONTRIBUTE TO DIFFERENT PLANS

In situations where one spouse receives CPP retirement benefits while the other spouse receives QPP retirement benefits, then sharing QPP benefits means sharing CPP benefits as well.

SPOUSES WHO CONTRIBUTE TO BOTH PLANS

APPLYING FOR YOUR RETIREMENT PENSION

If you have always worked in Quebec and therefore only contributed to QPP but now live elsewhere in Canada, you must apply for your pension from the Régie des rentes du Québec since you only contributed to the QPP.

If you worked in Quebec and elsewhere in Canada (and thus contributed to both QPP and CPP) and now live elsewhere in Canada, you must apply for your pension from the Department of Human Resources and Social Development and receive CPP since you now live outside of Quebec. If you worked in Quebec and elsewhere in Canada and now live in Quebec, you must apply for your pension from the Régie des rentes du Québec and receive QPP, since you now live in Quebec.

If you worked in Quebec and elsewhere in Canada (and thus contributed to both QPP and CPP) and now live outside Canada, you retain all of the rights you accumulated under both plans and you can apply to receive a retirement pension from the plan that applied in your last province of residence in Canada. For example, if your last province of residence was Quebec, you can apply for your pension from the Régie des rentes du Québec.

Please contact us for more information about the topics discussed in this article.

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