

Canada Pension Plan (CPP)

Death, Disability & Survivor's Benefits

Last month our newsletter/blog talked about the pros & cons of taking an early pension from CPP. This month we wish to discuss other benefits associated with this government benefit.

Death Benefits

- There is one-time lump sum payment of \$2,500 payable to the Estate of the deceased (if they were eligible)
- The deceased must have paid into CPP for at least 1/3rd of the calendar years in their contributory period OR 10 years, whichever is less
- The payment is taxable and usually takes 6-12 weeks

Survivor's Pension

A Survivor's Pension can be paid to the legal spouse or common-law spouse of the deceased contributor and it is based on the age of the surviving partner.

The Pension amount will also factor in how long and how much the deceased contributed to CPP. The formula includes a calculation to reflect if the survivor is already collecting their own CPP entitlement. Typically, the formulas used are as follows:

- If the surviving partner is age 65 or older the maximum benefit will be 60% of the contributor's retirement pension to a maximum of \$705.20/month
- If the surviving partner is less than age 65, it is a flat rate combined with a percentage of the contributor's retirement pension to a maximum of \$638.50/month
- Payments will continue if the surviving spouse remarries

- The maximum combined entitlement shall not exceed the current year's annual retirement maximum - 2020 is \$1,175.83/month

Benefits for children under age 25

CPP's Children's Benefits can provide monthly payments to the dependant children of a deceased contributor. Children are eligible if the deceased parent has met the same contributory requirements for a CPP Death Benefit

- The child must be under the age of 18, OR under the age of 25 and in full-time attendance at a recognized post secondary institution
- The definition of a child is – the natural child or legally adopted child prior to the age of 21
- A Dependent child aged 18 – 25 can apply on their own for this benefit and it will be paid directly to them. For children under the age of 18, it will only be paid to them if they are capable of managing their own affairs. Otherwise, it is paid to the person or agency who has custody and control of the child
- The benefit stops the month after the child turns 18, or age 25 if still going to a recognized post secondary institution. The benefit can also end the month after the child stops being a full-time student
- The responsibility is on either the child or the custodian to inform Service Canada of any material changes. This government agency will go after the individual to collect any unentitled payments received.
- As of 2020 the pension amount is a flat \$255.03/month and is fully taxable to the child, regardless of their age

Note: There are NO Survivor Benefits from Old Age Security (OAS). CPP is based on contributions we as individuals and our employer make over our lifetime. OAS is funded 100% from general revenues of the government and there is no correlation between what we put in as individuals and what the government pays out.