Understanding CPP sharing

By Doug Runchey

What does CPP pension sharing mean?

First of all, it's important to differentiate between CPP "pension sharing" and CPP "credit splitting" (officially known as Division of Unadjusted Pensionable Earnings or DUPE).

Pension sharing is a temporary sharing of CPP retirement pension benefits between spouses in an ongoing relationship, whereas a DUPE is a permanent splitting of pension "credits," after a relationship has ended through separation or divorce.

CPP Sharing is sometimes referred to as CPP Splitting.

Related article: ***Understanding CPP Splitting***

CPP sharing is possible in both legal marriages and common-law relationships.

What is the purpose of CPP pension sharing?

The main purpose of pension sharing under the CPP is tax savings. CPP pension sharing is a form of income splitting. Pension sharing really only produces a tax savings if one spouse is receiving more CPP and is in a higher tax bracket than the other spouse.

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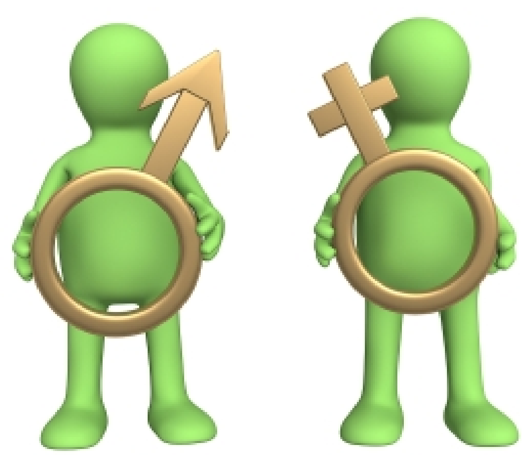
How does CPP pension sharing work?

0Contrary to what most people think, CPP pension sharing does not necessarily result in a 50/50 sharing of retirement pensions, unless the couple have lived together for their whole lives or at least since the older spouse turned age 18.



What really happens is that they share their retirement pensions based on how many years they have lived together, in proportion to their "joint contributory period" under the CPP.

Related article: ***The differences between CPP Sharing and Pension Splitting***

What is the joint contributory period?

In simple terms, the joint contributory period starts when the older spouse turned age 18 and ends when both start receiving their CPP retirement pension. If one spouse has never contributed to CPP, it ends when that spouse reaches age 70 or when the application for pension sharing is received, whichever is earlier.

An example to show how CPP pension sharing works

Let’s look at a simple example where Allan and Carol were born three years apart, and they both started receiving their CPP at age 65. Their joint contributory period would be 50 years (from when the oldest turned age 18 until the youngest turned age 65 and started receiving CPP).

Let’s say that without pension sharing, Allan’s monthly CPP retirement pension would be $500 and Carol’s retirement pension would be $1,000. The following chart shows what effect pension sharing would have on the amounts that each of them would receive, depending on how many years they lived together during their 50-year joint contributory period.

Number of years lived together	Percentage of joint contributory period (50 years)	Monthly CPP after pension sharing	
		Allan	Carol
10	20%	$550	$950
20	40%	$600	$900
30	60%	$650	$850
40	80%	$700	$800
50	100%	$750	$750

As you can see from the above chart, the CPP pension sharing produces a 50/50 split only if Allan and Carol lived together for all 50 years of their joint contributory period.

Is it always necessary to do a two-way sharing?

CPP pension sharing is always a two-way sharing, unless one of the spouses never contributed to the CPP. In that situation, a one-way sharing is possible, as long as the non-contributing spouse is at least 60 years old.

When does CPP pension sharing end?

As mentioned earlier, unlike credit splitting which is permanent, pension sharing is temporary. It will end the earliest of:

- The month in which either spouse dies
- The 12th month after the spouses separate
- The month of divorce
- The month following receipt of a written request from both spouses