

> Canada Pension Plan benefits for the self-employed

The Canada Pension Plan (CPP) is for all workers, including the self-employed. If you are self-employed, you should pay into the CPP both to build up your future retirement pension and to provide yourself with basic long-term disability insurance coverage.

The CPP is a safe, secure source of current and future financial benefits. It provides basic financial protection to contributors and their families in case of loss of income due to disability, retirement or death.

> What benefits can the CPP provide if I'm self-employed?

Your contributions to the CPP build a fund that can provide income if your earnings stop because of disability or death. They can also give you retirement income.

The CPP acts as an insurance plan for qualified contributors. It can provide a monthly disability benefit to the contributor, as well as benefits for dependent children, and, in the case of death, survivors' benefits for the surviving spouse/common-law partner and dependent children. It also provides a lump-sum death benefit to your estate. Monthly benefits increase with inflation.

The benefit amount you receive depends on how much you've earned and how many contributions you've made. To ensure you don't lose benefits because you took a temporary absence from the workforce to raise children, there is a "child-rearing drop-out provision." When you apply for it, your payments will be adjusted to ensure you receive the highest CPP benefit possible.

> Who contributes to the CPP?

Most employed and self-employed people in Canada between the ages of 18 and 70 who earn more than a specific minimum level of earnings in a calendar year contribute to the plan. This minimum level, known as the year's basic exemption (YBE), is frozen at \$3,500. (Note: Quebec workers are covered under a separate plan—the Quebec Pension Plan, or QPP.)

> How much would a self-employed person pay into the CPP?

The amount you pay in contributions is based on your employment earnings. If you are self-employed, the amount is based on your net business income (after expenses). You pay contributions only on your annual net earnings between the YBE and a maximum level for the year

(these are called your “pensionable earnings”). The maximum level is adjusted each January, based on increases in the average wage. In 2005, the maximum level was set at \$41,100.

If your net earnings for the year are less than \$3,500, you will not be contributing to the CPP for that year. Please note: To be eligible for a CPP disability benefit, you must earn more than \$4,100 (the minimum for 2005) and must have made contributions in four of the last six years.

Since a self-employed person is considered both the employer and the employee, he or she is responsible for making both portions of the contributions. For details on rates of contribution, visit the Service Canada website: servicecanada.gc.ca.



How much will my CPP retirement pension be when I am 65?

The CPP retirement pension is a monthly benefit paid to people who have contributed to the CPP. The pension is designed to pay approximately 25 percent of the earnings on which a person’s contributions were based.

To find out how much your retirement income might be, go to servicecanada.gc.ca, select “On-Line Services and Forms” and click on the appropriate link.



How is the Canada Pension Plan financed?

The CPP is financed through the contributions from employees, employers and self-employed persons and from revenues earned by the CPP Investment Board.



Will there still be funds available from the CPP when I retire?

The CPP is financially sound for at least the next 75 years, according to the most recent actuarial reports. The federal and provincial governments are required by legislation to jointly review the Plan’s long-term financial outlook every three years.



How do I find out how much I have contributed to the CPP?

You can view your Statement of Contributions online at servicecanada.gc.ca or request a copy by calling 1 800 O-Canada.



Contact us

Call 1 800 O-Canada (1 800 622-6232)
1 800 926-9105 (TTY)

Click www.servicecanada.gc.ca

Visit a Service Canada centre (to find the one nearest you,
call the number above or visit the Service Canada website)