# Canada Pension Plan: Child Rearing Dropout Provisions

The Canada Pension Plan (CPP) pays a monthly retirement pension to people who have worked and contributed to the plan. If your earnings stopped or were lower because you were the primary caregiver raising your children under the age of seven, you may be able to increase your monthly CPP benefit by applying the CPP Child Rearing Dropout Provision.

## How this works:

Your CPP retirement pension equals 25% of your average pensionable earnings during your contributory period (indexed for average growth in the Year's Maximum Pensionable Earnings (YMPE) over the preceding 5 years). Your contributory period runs from your $18^{th}$ birthday to the time you start collecting the pension, you reach age 70, or you die (whichever happens earliest). Therefore any period of low or no earnings within your contributory period will adversely impact your pension. The ability to exclude such period from the pension calculation will potentially increase your pension amount.

*Note:*

*In 2012, if you are receiving CPP retirement pension and choose to work, you could continue to make CPP contributions that will increase your CPP payments through the Post-Retirement Benefit (PRB).*

When earnings are reduced or earnings have stopped altogether as a result of caring for children under the age of seven, a request can be initiated to exclude that period of time from the retirement pension benefit calculation.

## The Child Rearing Dropout Provision can be used:

- For months when spouse/common-law partner (hereinafter collectively referred to as the "Partner") has received Family Allowance or was eligible for the Canada Child Tax Benefit (even if the benefit was not received);
- For months when earnings were lower for the primary caregiver of a child under the age of seven born after December 31, 1958;
- By either Partner; however, they cannot apply for the same period of time.

*Consider the following:*

*Mary was employed outside the home until her son Ted was born in 1983. After Ted's birth, Mary did not earn an income again until Ted started school in 1989. When Mary applied for her pension some years later, she initiated a Child Rearing Dropout Provision. CPP dropped the period from Ted's birth to 1989 when calculating the amount she should receive. Mary's CPP monthly pension payment was calculated at $735 per month. If she had not applied for the Child Rearing Dropout Provision her monthly pension payment would have been $650 per month, which is a difference of $85 per month*

## Planning Point:

Each parent who was a primary caregiver for a child born after December 31, 1958 may apply for the Child Rearing Dropout Provision when applying for CPP retirement pension.
Contact servicecanada.gc.ca for more information about the Child Rearing Dropout Provision.



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