Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

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QPP retirement pension sharing

A tax planning strategy involving your retirement pension

You may be able to share your Québec Pension Plan (QPP) retirement benefits with your spouse to reduce your family's overall taxes. By applying to share your pensions, the lower-income spouse can receive a portion of the higher-income spouse's retirement pension and pay tax on that pension income at their lower marginal tax rate.

Any reference to a "spouse" in this article includes a spouse by civil union or a de facto spouse.

Are you eligible to share QPP?

To qualify for QPP retirement pension sharing:

- You and your spouse must both be 60 years of age or over, and
- You must either be married or in a civil union and not legally separated from your spouse, or you are de facto spouses

In addition, if you both contributed to the QPP or the Canada Pension Plan (CPP), you must both be receiving your QPP or CPP retirement pension before you can share your pensions. If only one of you contributed to the QPP, the contributing spouse must be receiving QPP before you can share that pension.

How does QPP pension sharing work?

QPP pension sharing generally doesn't result in an equal split of your QPP retirement benefits. The portion of your and your spouse's QPP retirement pension that can be shared is based on the number of months you and your spouse lived together during your combined contributory period.

If you were married on or before January 1, 1966, your and your spouse's QPP pensions are split in two equal parts.

QPP pension sharing does not change the total QPP you'd have otherwise received as a couple; however, it may

result in an overall family tax savings. This may be the case if one spouse is receiving more QPP and is in a higher tax bracket than the other spouse.

Note that QPP pension sharing may not benefit you in every case. For example, if the retired lower-income spouse has accumulated a larger pension entitlement than the higher-income spouse during the time they've lived together, there may be no benefit to pension sharing.

How do you apply for QPP pension sharing?

If you and/or your spouse meet the eligibility requirements to share your QPP pension, and would like to share your pension, an application should be made through Retraite Québec. QPP pension sharing begins the later of the month following the approval of your application or the month indicated on the application. Note that the application can't be filed more than 12 months in advance.

The application form for QPP pension sharing is available on the Retraite Québec website.

When does QPP pension sharing end?

QPP pension sharing ends the month in which the earliest of the following events occurs:

- Either spouse passes away
- Retraite Québec is informed that the de facto spouses have been separated for more than 12 months
- Retraite Québec receives a judgment of divorce, a legal separation, marriage annulment, dissolution or annulment of a civil union or a notarized joint declaration of dissolution of a civil union
- Retraite Québec is informed that the non-contributing spouse starts contributing to the QPP or CPP
- Retraite Québec receives an application to cease pension sharing signed by both married spouses or both spouses in a civil union, or by either of the de facto spouses
- One of the retirement pensions is paid under the CPP and Service Canada terminates pension sharing

Spouses who contribute to different plans

If one spouse receives QPP retirement benefits and the other spouse receives CPP retirement benefits, pension sharing will be similar to if you both receive benefits under the same plan. Each spouse should complete and submit the pension sharing application form relevant for the pension they're receiving and indicate that their spouse contributed to the other plan.

If you and/or your spouse meet the eligibility requirements to share your QPP pension, and would like to share your pension, an application should be made through Retraite Québec.

Conclusion

When you're evaluating whether or not to share QPP with your spouse, consider the income you and your spouse expect to receive from the plan as well as your other sources of retirement income. You should then evaluate your expected income levels to determine whether pension sharing may help minimize your family's overall tax bill.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



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