

Keep contributing to the plan while receiving a retirement pension?

Our experts' analyses



Aspects to consider to make an informed decision

SUMMARY

Why contribute when you are already receiving a retirement pension?

When a person contributes to the Québec Pension Plan (QPP), his or her employer also contributes. All these contributions **increase the amount of the retirement pension**. This is called the [retirement pension supplement](#). It is paid for life and indexed, that is, adjusted to the cost of living each year, like the retirement pension.



What are the aspects to consider when deciding whether to continue contributing?

Protection against the financial risks related to retirement

Continuing to contribute to the QPP allows you to increase the portion of your retirement income that is guaranteed for life and indexed, providing better protection against the:

- [longevity risk](#) (outliving your savings before your death);
- [inflation risk](#) (losing a portion of your purchasing power);
- [rate of return risk](#) (seeing your savings lose value or face fluctuations).

Personal considerations

The advantages of contributing vary from one person to another, depending on:

- the effect of the decision on his or her tax situation (income taxes and government programs);
- his or her financial needs (e.g.: credit card to repay);
- his or her preferences in terms of how to invest his or her money.

The profitability of contributions

Profitability is the relationship between the contributions made to the QPP by a person who is already receiving his or her retirement pension and the increase in the pension received in exchange.

- The return made from the contributions is positive in numerous cases.
- The retirement pension supplement is paid for life. The longer a person lives, the longer he or she will receive it and more his or her contributions are profitable.
- The return obtained by an employee is higher than the one obtained by a self-employed worker, who must pay both portions of the contribution.

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You can find the definition of the **coloured words** in the [glossary](#).

CONTEXT

As of 1 January 2024, persons aged 65 or over who are receiving a retirement pension under the QPP while working will be able to choose to stop contributing to the QPP. For persons aged 72, the contributions will end automatically as of the following 1 January.

The contributions paid by persons who combine retirement and work income will increase the pension amount they receive. Ending contributions gives a person more money in the short term, but deprives him or her of a higher retirement pension for the rest of his or her life.

CONTINUING TO CONTRIBUTE INCREASES YOUR PENSION

When a person continues to contribute to the QPP while receiving a retirement pension, his or her employer also continues contributing. Therefore, if the person stops contributing, his or her employer also stops.

The contributions **give entitlement to an increase in the pension**: the [retirement pension supplement](#). It is added to the retirement pension that a beneficiary is already receiving. Like the retirement pension, the supplement is paid to a person until his or her death and is indexed, that is, [adjusted to the cost of living](#) each year.

How much do contributions increase your pension?

For every \$1000 a person pays in contributions under the QPP, his or her employer will also pay \$1000 in contributions. The contributions will allow for a person to receive **\$103 per year** (\$9 per month)¹, which will be added to his or her retirement pension that he or she is already receiving and will be indexed each year.

CONTRIBUTIONS AND THE RETIREMENT PENSION SUPPLEMENT

Pensionable earnings	Contributions made to the QPP		Retirement pension supplement (per year, for life)
	Salaried employees	Self-employed workers	
\$10 000	\$416	\$832	\$43
\$25 000	\$1376	\$2752	\$142
\$40 000	\$2336	\$4672	\$241
\$65 000	\$3936	\$7872	\$406

Notes:

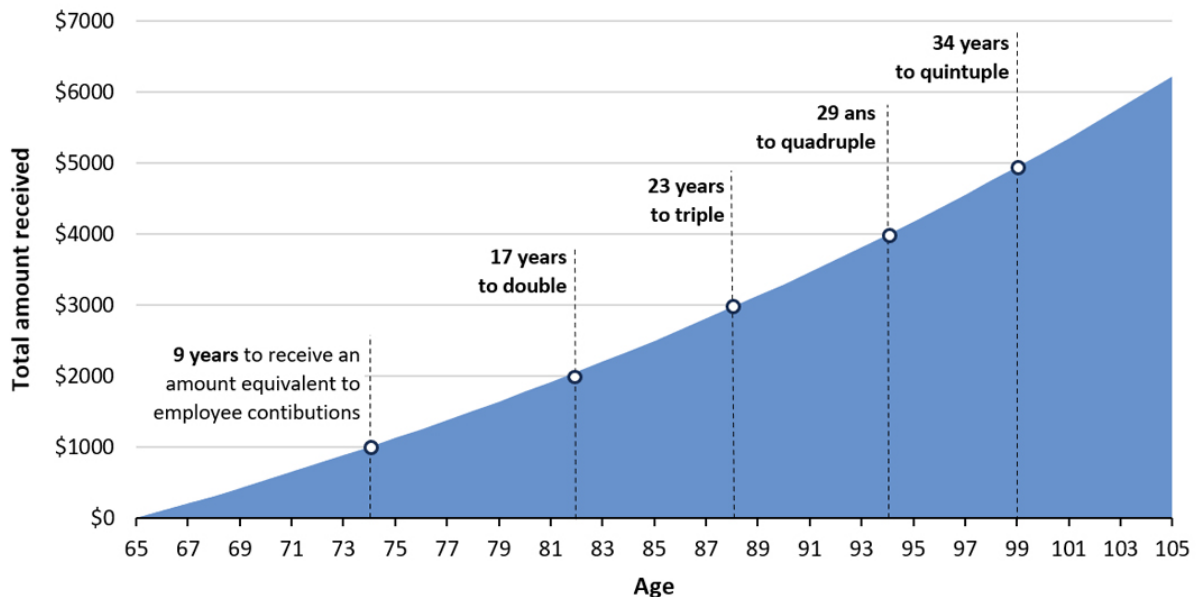
- The retirement pension supplement is equal to 0.66% of the earnings on which a person contributed.
- Self-employed workers must pay the total contributions (employee and employer portions) to the QPP. As a result, they pay twice as much as salaried employees.

1. The retirement pension supplement is a little higher when a person has pensionable earnings entered in the second component of the additional plan because the contribution rate that applies to those earnings is lower (see the appendix).

Example

Margaret is a 65-year-old employee. She pays \$1000 in contributions to the QPP in 2023. Her employer also pays \$1000 in her name. In 2024, she will receive a total of \$103 (\$9 per month) as a retirement pension supplement. In 2025, if the indexation rate is 2%, the amount will increase to \$105. Each year thereafter, it will increase again. The graph shows the amounts she will have received in total thanks to the contributions paid in 2023.

AMOUNTS RECEIVED AS A RETIREMENT PENSION SUPPLEMENT THANKS TO THE CONTRIBUTIONS PAID IN 2023



Note: benefits are indexed to 2% in this example. See the appendix for details on the methodological approach.

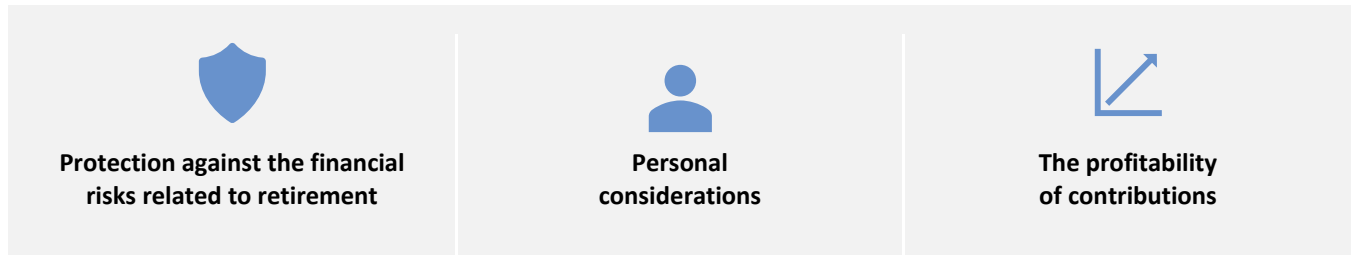
- After 9 years, Margaret will receive an amount equivalent to the contributions she paid.
- After 17 years, Margaret will receive an amount equivalent to **twice** her contributions.
- After 23 years, Margaret will receive an amount equivalent to **three times** her contributions.
- After 29 years, Margaret will receive an amount equivalent to **four times** her contributions.
- After 34 years, Margaret will receive an amount equivalent to **five times** her contributions.

How to stop contributing?

The [Choosing to stop contributing to the Québec Pension Plan](#) section on Retraite Québec's website shows how to do so. The decision to contribute is made annually. It is possible to change your choice for the following year, but you cannot withdraw your contributions once they have been paid into the QPP.

IS IT WORTH IT TO CONTINUE CONTRIBUTING?

To make an informed decision, each person must take his or her situation into account. To do so, he or she must consider several elements:



Protection against the financial risks related to retirement

Continuing to contribute to the QPP allows for the retirement pension supplement amount to increase. The pension is therefore higher. A higher pension means that a larger portion of a person's retirement income is guaranteed for life and indexed each year. This strategy offers a greater protection against the financial risks related to retirement:

- [longevity risk](#) (running out of savings before death);
- [inflation risk](#) (losing a portion of your purchasing power);
- [rate of return risk](#) (seeing your savings lose value or face fluctuations).

Personal considerations

The following table shows examples of personal considerations a person must ponder. To help you think things through, you can assess your retirement income and financial needs, or talk to a financial planning specialist who can analyze your situation.

EXAMPLES OF PERSONAL CONSIDERATIONS

Considerations	Explanations
Impact after taxes	Receiving a higher pension under the QPP can have an impact on taxes and other government benefits, such as: <ul style="list-style-type: none">• the Guaranteed Income Supplement (GIS);• the Old Age Security (OAS) pension;• the payment of tax credits, such as the Senior Assistance Tax Credit.
Financial needs	A person with little liquidity might prefer to stop contributing to the QPP in order to have quick access to more money. This decision could, for example, allow that person to repay the balance of a credit card or set up an emergency fund.
Preferences in terms of how to invest money	Each person has his or her own preferences when it comes to investing his or her money. These may be linked, for example, to: <ul style="list-style-type: none">• his or her global financial situation;• his or her tolerance to risks;• his or her willingness to leave an inheritance to loved ones. Therefore, certain persons would rather receive a smaller amount now than a larger amount later. Some would say: “a bird in the hand is worth two in the bush.”

Myths about the retirement pension

Two myths always come up in discussions about retirement pensions. Certain persons:

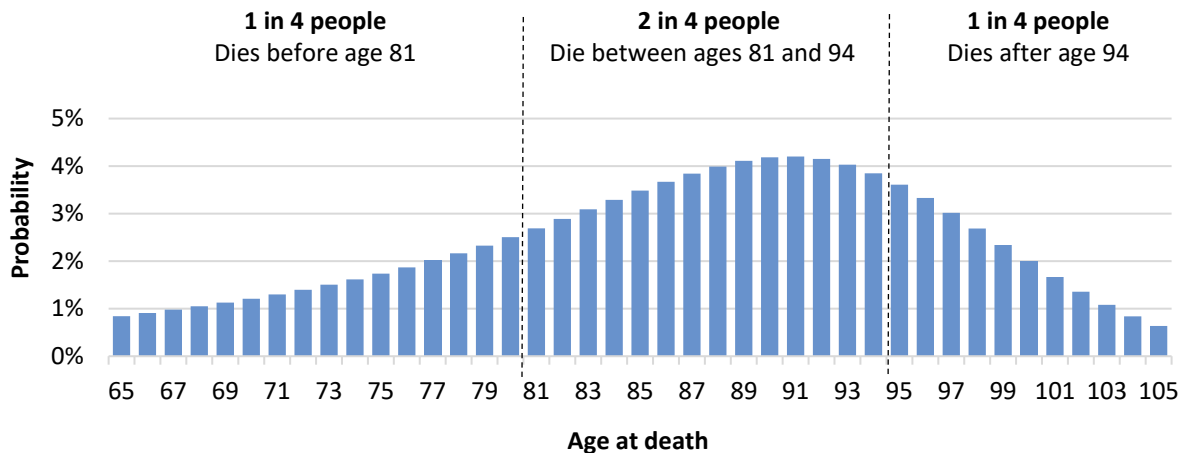
- are afraid of not receiving their pension “long enough” if they die early;
- think there will be no money left in the QPP fund when they retire.

Underestimated longevity

People tend to underestimate the duration of their lives... and their retirement! Yet, a person aged 65 has as much of a chance of becoming a centenarian than to die before his or her 73rd birthday.

Life expectancy at the age of 65 is currently age 90 for women and age 87 for men. A person in good health who has a healthy lifestyle could live longer than the average person. The possibility of living a long life is very real, and it is important to take that into account to ensure that you have enough money to last you through retirement.

PROBABILITY OF DYING AT A GIVEN AGE



Source: Data on beneficiaries, Retraite Québec.

The Québec Pension Plan’s (QPP) financial health

The QPP is in good financial health. To monitor its evolution, the Act requires for an actuarial valuation, over a 50-year horizon, to be carried out every three years. The most recent valuation shows that the contributions and investment income from the reserve will allow to pay a retirement pension to every person who contributes to the QPP for the next 50 years (and beyond!).

THE PROFITABILITY OF CONTRIBUTIONS

The profitability of the retirement pension supplement is the relation between the contributions paid into the QPP by persons who are already receiving a retirement pension and the increase of the pension received in exchange.

For simplification purposes, the impact of **taxes** and government benefits is not taken into account. However, these elements can significantly change the results in certain situations, particularly for persons with low income.

Probability of reaching different profitability thresholds

Tipping age

Most people will live long enough to break even on their contributions.

As of the **tipping age**, the amount of benefits that a person will have received in total as a retirement pension supplement will become greater than the amounts paid in contributions to be entitled to these benefits. The time required for a person who begins receiving a retirement pension supplement to reach the tipping age is estimated at:

- 9 years for salaried employees;
- 17 years for self-employed workers.

For a beneficiary who contributes to the QPP **at age 65**, the tipping age is 74 for salaried employees and 82 for self-employed workers. The probability that a person aged 65 reaches the tipping age is estimated at:

- 9 out of 10 for salaried employees;
- 7 out of 10 for self-employed workers.

The older a worker is when he or she pays contributions, the lower his or her chances of reaching the tipping age. Consequently, contributions paid into the QPP at age 65 offers a better profitability than for the contributions made at age 72.

PROBABILITY OF REACHING THE TIPPING AGE

Age at contribution	Salaried employees	Self-employed workers
Age 65	90%	73%
Age 66	89%	70%
Age 67	88%	68%
Age 68	87%	65%
Age 69	86%	62%
Age 70	84%	59%
Age 71	83%	56%
Age 72	81%	52%

Other profitability thresholds

Among salaried employees aged 65 who continue to contribute:

- three out of four will live long enough to receive the equivalent of at least **twice** the contributions they have made.
- one in two will live long enough to receive the equivalent of **three times** their contributions!

PROBABILITY THAT A SALARIED EMPLOYEE AGED 65 WILL RECEIVE IN BENEFITS THE EQUIVALENT OF HIS OR HER CONTRIBUTIONS INTO THE QPP MULTIPLIED BY A CERTAIN FACTOR

Multiplication factor applied to contributions	Time required	Age reached	Probability of reaching this age
x 1	9 years	Age 74	90%
x 2	17 years	Age 82	73%
x 3	23 years	Age 88	52%
x 4	29 years	Age 94	28%
x 5	34 years	Age 99	11%

Note: for self-employed workers, these factors must be divided by two.

Profitability of contributions in the specific context of the Québec Pension Plan (QPP)

Defining a profitable contribution is not easy within the specific context of the QPP. Compared to other retirement savings vehicles :

- **the QPP protects against financial risks related to retirement.** This protection could make a low or even negative return worthwhile. After all, when you take out insurance (car, home, etc.), it is the protection offered that counts!
- **the QPP is a very safe retirement savings vehicle.** The retirement pension supplement is paid in the form of a pension. It is guaranteed for life and indexed. The amount paid will not vary according to the fluctuations of the financial markets.

What return can you expect on your contributions?

The internal rate of return

The **internal rate of return (IRR)** is a measure commonly used in the world of finance to assess the profitability of an investment. An IRR of 4% indicates that the profitability of the contribution is equivalent to placing money in a savings vehicle that yields 4% per year. The degree of investment risk must also be considered.

A positive return indicates that a person will receive in benefits at least one time the amount paid in contributions. A null IRR therefore corresponds to the tipping age. A person may also be interested in the probability that his or her contributions will reach the minimum return of his or her choice.

- **The longer a person lives, the higher the return on his or her contributions.**
 - For salaried employees, the IRR can reach 12% when a person dies after age 94 (1 in 4 people).
 - The lowest possible IRR (-100%) occurs in only 1% of cases (when a person dies in the year in which he or she made the contribution).
- Returns decrease with the **age at contribution**: the IRR on a contribution made at age 65 exceeds that on a contribution made at age 72.
- On average, **women** benefit from a 3% higher return on their contributions than men. This is due to their longer life expectancy: a woman aged 65 will live on average 3 years longer than a man of the same age.
- For **persons in a relationship**, the return is higher due to the pension that can be paid to a surviving spouse after the death of a beneficiary. This pension has not been taken into account in the calculations. It would increase the IRRs presented.




The IRR on a beneficiary's contributions will be positive in many cases. A person aged 65 has a one in two chance of reaching age 89. When death occurs at this age, the IRR is:

- 11% of salaried employees who will have received benefits equivalent to three times their contributions.
- 4% for self-employed workers who will have received benefits equivalent to 1.5 times their contributions.

INTERNAL RATES OF RETURN (IRR) ON CONTRIBUTIONS MADE AT AGE 65, BASED ON GENDER, EMPLOYMENT STATUS AND AGE AT DEATH

Probability of reaching this age	Men			Women		
	Age at death	IRR for salaried employees	TRI travailleurs autonomes	Age at death	IRR for salaried employees	TRI travailleuses autonomes
75%	Age 80	8%	-1%	Age 83	9%	1%
50%	Age 87	11%	3%	Age 90	11%	4%
25%	Age 93	11%	5%	Age 96	12%	5%

INTERNAL RATES OF RETURN (IRR) ON CONTRIBUTIONS, BASED ON EMPLOYMENT STATUS, AGE AT CONTRIBUTION AND AGE AT DEATH (IN PERCENTAGE)

Age at death	Age at contribution																Probability of death	
	Salaried employees								Self-employed workers									
	65	66	67	68	69	70	71	72	65	66	67	68	69	70	71	72		
65	-100								-100									 1 out of 4 people Dies before age 81
66	-90	-100							-95	-100								
67	-62	-90	-100						-74	-95	-100							
68	-41	-62	-90	-100					-56	-74	-95	-100						
69	-27	-41	-62	-90	-100				-42	-56	-74	-95	-100					
70	-18	-27	-41	-62	-90	-100			-32	-42	-56	-74	-95	-100				
71	-11	-18	-27	-41	-62	-90	-100		-25	-32	-42	-56	-74	-95	-100			
72	-6	-11	-18	-27	-41	-62	-90	-100	-19	-25	-32	-42	-56	-74	-95	-100		
73	-3	-6	-11	-18	-27	-41	-62	-90	-15	-19	-25	-32	-42	-56	-74	-95		
74	0	-3	-6	-11	-18	-27	-41	-62	-12	-15	-19	-25	-32	-42	-56	-74		
75	2	0	-3	-6	-11	-18	-27	-41	-9	-12	-15	-19	-25	-32	-42	-56		
76	4	2	0	-3	-6	-11	-18	-27	-7	-9	-12	-15	-19	-25	-32	-42		
77	5	4	2	0	-3	-6	-11	-18	-5	-7	-9	-12	-15	-19	-25	-32		
78	6	5	4	2	0	-3	-6	-11	-4	-5	-7	-9	-12	-15	-19	-25		
79	7	6	5	4	2	0	-3	-6	-2	-4	-5	-7	-9	-12	-15	-19		
80	8	7	6	5	4	2	0	-3	-1	-2	-4	-5	-7	-9	-12	-15		
81	8	8	7	6	5	4	2	0	0	-1	-2	-4	-5	-7	-9	-12	 2 out of 4 people Dies between ages 81 and 94	
82	9	8	8	7	6	5	4	2	0	0	-1	-2	-4	-5	-7	-9		
83	9	9	8	8	7	6	5	4	1	0	0	-1	-2	-4	-5	-7		
84	10	9	9	8	8	7	6	5	2	1	0	0	-1	-2	-4	-5		
85	10	10	9	9	8	8	7	6	2	2	1	0	0	-1	-2	-4		
86	10	10	10	9	9	8	8	7	3	2	2	1	0	0	-1	-2		
87	11	10	10	10	9	9	8	8	3	3	2	2	1	0	0	-1		
88	11	11	10	10	10	9	9	8	3	3	3	2	2	1	0	0		
89	11	11	11	10	10	10	9	9	4	3	3	3	2	2	1	0		
90	11	11	11	11	10	10	10	9	4	4	3	3	3	2	2	1		
91	11	11	11	11	11	10	10	10	4	4	4	3	3	3	2	2		
92	11	11	11	11	11	11	10	10	4	4	4	4	3	3	3	2		
93	11	11	11	11	11	11	11	10	5	4	4	4	4	3	3	3		
94	12	11	11	11	11	11	11	11	5	5	4	4	4	4	3	3		
95	12	12	11	11	11	11	11	11	5	5	5	4	4	4	4	3	 1 out of 4 people Dies after age 94	
96	12	12	12	11	11	11	11	11	5	5	5	5	4	4	4	4		
97	12	12	12	12	11	11	11	11	5	5	5	5	5	4	4	4		
98	12	12	12	12	12	11	11	11	5	5	5	5	5	5	4	4		
99	12	12	12	12	12	12	11	11	6	5	5	5	5	5	5	4		
100	12	12	12	12	12	12	12	11	6	6	5	5	5	5	5	5		
101	12	12	12	12	12	12	12	12	6	6	6	5	5	5	5	5		
102	12	12	12	12	12	12	12	12	6	6	6	6	5	5	5	5		
103	12	12	12	12	12	12	12	12	6	6	6	6	6	5	5	5		
104	12	12	12	12	12	12	12	12	6	6	6	6	6	6	5	5		
105	12	12	12	12	12	12	12	12	6	6	6	6	6	6	6	5		
Average	5	5	4	4	3	2	2	1	-3	-3	-4	-5	-6	-6	-7	-8		

 Tipping age of the contribution

CONCLUSION

It is often advantageous to continue contributing to the Québec Pension Plan (QPP). However, **everyone's personal situation varies... and so does the relevance of contributing!** Experts on financial planning can provide an overall picture of a person's situation (e.g., after-tax impact, liquidity needs, state of health, financial situation, risk tolerance) and help him or her make an informed decision.

Longevity prospects have a major influence on the profitability a person can expect from his or her contributions. A salaried employee can receive the equivalent of three times his or her contribution if death occurs at an age close to his or her life expectancy.

In addition, a **person's status** must be considered: is he or she a salaried employee or self-employed? Salaried employees can expect greater profitability than self-employed workers, since the latter pay both portions of the contribution.

The number of centenarians in Québec continues to increase. For these people, continuing to contribute to the QPP will certainly have paid off. In all cases, since no one knows when they will die, choosing to continue contributing to the QPP means increasing the portion of retirement income that is guaranteed for life and indexed. It is therefore **insurance against the risks of longevity, inflation and rate of return.**

In other words, the option of whether to contribute to the QPP between the ages of 65 and 72 offers greater financial flexibility to people who combine work and retirement income. Each year, they have to ask themselves one big question: do I want more money in the short term, or do I want a higher retirement pension for the rest of my life?

APPENDIX

The calculation of the retirement pension supplement is based on the employment earnings exceeding \$3500. For example, a person who earns \$13 500 in 2023 contributes on earnings of \$10 000.

CALCULATION PARAMETERS OF THE CONTRIBUTIONS AND THE RETIREMENT PENSION SUPPLEMENT FOR 2023

Contribution rates	Retirement pension supplement
<ul style="list-style-type: none"> 12.8% for employment earnings between \$3500 and the maximum pensionable earnings (MPE). 8.0% for employment earnings between the MPE and the additional maximum pensionable earnings. Contribution rates are divided in equal shares between an employee and his or her employer. 	<ul style="list-style-type: none"> \$66 per year for every \$10 000 in pensionable earnings It is automatically added to the retirement pension as well as the supplement to which previous years' contributions give entitlement.

Assumptions and approach used for projections

The assumption used for the **indexation rate** of pensions is 2%. If the observed indexation rate is higher, more benefits are paid to beneficiaries and the return on contributions is higher. The table below illustrates the effect of various indexation rates on the time before tipping age is reached and on the IRR. A person aged 65 has a one in two chances of reaching age 89.

EFFECT OF THE INDEXATION RATE OF PENSION ON THE PROFITABILITY MEASURES

Indexation rate of pensions	Salaried employees		Self-employed worker	
	Time until tipping age is reached	IRR Contributions at age 65, death at age 89	Time until tipping age is reached	IRR Contributions at age 65, death at age 89
0%	9.7 years	9%	19.3 years	2%
1%	9.3 years	10%	17.8 years	3%
2%	8.9 years	11%	16.5 years	4%
3%	8.6 years	12%	15.5 years	5%

The **probabilities of death** come from data on beneficiaries of the retirement pension under the QPP. They may therefore differ slightly from those used by other agencies.

Financial flows have not been discounted² in the calculations. The **internal rate of return (IRR)** was instead chosen, as this simple measure allows for the comparison of different investment options while avoiding the need to select a discount rate arbitrarily. The IRR allows you to choose your own break-even point. The tipping age corresponds to a null IRR, but a person can be interested in the probabilities that his or her contributions reach the minimum return of his or her choice.

2. Discounting means that tomorrow's dollar has the same value as today's dollar.

GLOSSARY

Tipping age: age at which the total amount of the benefits received as a retirement pension supplement becomes higher than the amount paid in contributions to be entitled to the benefits.

Indexation: adjustment of the pension amounts paid to take into account the increase of the consumer price index (CPI). Pensions under the QPP and the benefits under the Canadian Old Age Security program (Old Age Security pension [OAS] and the Guaranteed Income Supplement [GIS]) are fully indexed, which means that the calculation of the indexation reflects the full variation in the CPI.

Consumer price index (CPI): index established by Statistics Canada used to estimate the average variation in the price of everyday expenses of households for various goods and services.

Maximum pensionable earnings (MPE): upper limit applicable to pensionable earnings in the base plan and the first component of the additional plan under the QPP. The MPE is \$66 600 in 2023.

Additional maximum pensionable earnings (YAMPE): upper limit applicable to pensionable earnings to the second component of the additional plan under the QPP. The YAMPE is equal to 107% of the MPE in 2024 and 114% of the MPE as of 2025.

Old Age Security (OAS) pension: monthly benefit paid to Canadians aged 65 or over who have lived in Canada for at least 10 years since they turned 18.

Retirement pension supplement: amount added to the retirement pension for beneficiaries who contribute to the QPP.

Guaranteed Income Supplement (GIS): monthly benefit paid to beneficiaries of the OAS whose income is below a certain threshold.

Internal rate of return (IRR): percentage used to compare the profitability of various types of investments.

