

How much will the CPP increase in 2024?

Margaret Montgomery :: 1/17/2024



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January 17, 2024

The rising cost of living has put retirement savings on the back burner for many cash-strapped Canadians. The Canada Pension Plan (CPP) is designed to provide Canadians with guaranteed income in retirement. The CPP contribution amount has increased gradually over the last several years, and so has the maximum pensionable earnings. Read on to find out how much the CPP will increase in 2024, and how this could impact both your paycheque and your retirement savings plan.

Canada Pension Plan increases explained

The CPP is indexed to inflation, so that a retiree's income more closely matches the increased cost of living. In 2016, the federal government reached an [agreement](#) to enhance the CPP to protect Canadians who are at risk of under-saving for retirement. CPP contributions have increased every year since 2019.

A new additional contribution requirement — called the [additional maximum pensionable earnings](#) — has been announced for 2024.

“There are extra contributions that will be made by higher income individuals in order to pay the higher future obligations the government wants to meet,” Scott Plaskett, CEO and Certified Financial Planner at Ironshield Financial Planning says.

The government [says](#) that these changes will “provide up to 50% more CPP benefit income for employees who reach retirement age in approximately 40 years.” So, younger people are set to benefit from the increased CPP maximums more than others. For reference, the average retirement age in 2023 was 65, according to [Statistics Canada](#).

The 2024 CPP maximum contribution amount for employees

As an employee, how much will your CPP contributions increase in 2024 based on your income?

In 2024, you will contribute 5.95% of your income above the basic personal exemption amount to the CPP, which is the same as 2023. What’s changed is the [maximum pensionable earnings amount](#) for 2024 which is now \$68,500. The maximum pensionable earnings amount in 2023 was around 3% lower at \$66,600. So you’d expect to contribute at least \$3,867.50 to the CPP in 2024, up \$113 from \$3,754 last year.

Another change is that if you’ll earn more than \$68,500 in 2024, you’ll be contributing an extra 4% to the CPP, up to the additional maximum pensionable earnings amount of \$73,200. The additional enhanced contribution for an individual is capped at \$188, though. So your CPP contributions will increase up to \$4,055.50 in total if you earn more than \$68,500.

Example with a \$70,000 annual salary:

2023 CPP contributions	2024 CPP contributions
Base CPP contribution:\$3,754	Base CPP contribution: \$3,867.50
Base CPP contribution:\$3,754	+ Additional contribution of 4%:\$60
	= Total CPP contribution:\$3,927

How the 2024 CPP increase will affect the self-employed

Self-employed people are considered both the employer and the employee for tax purposes, so they contribute double to the CPP. In 2024, self-employed people will contribute up to \$7,735 of their income to the CPP at 11.9%. Above that amount, they’d be expected to contribute 8% up to a total of \$376.

“Your contribution as a self-employed individual, for the same benefit in the future, is double what an employee would have who is working for a company,” Plaskett says. He says that to offset the increased burden of CPP contributions, the self-employed can choose to take dividends if their company is incorporated (a payment of profits their company generated) instead of a salary. That’s because you don’t have to make CPP contributions on dividends.

But in order to benefit from this strategy, you’d have to invest that money, because you won’t have it accruing for you in the Canada Pension Plan. “What you’re really doing is you’re saying you want more

control over your future retirement cash flow,” Plaskett says. He recommends working with a financial advisor in this case to develop a plan that puts your money to work for you.

Tax credits and deductions for the 2024 CPP increase

The good news is that while your paycheque may shrink a bit as CPP increases ramp up, you can claim a 15% income tax credit on CPP contributions, and get a tax deduction on the enhanced amount if your income is higher than the year’s maximum pensionable earnings. The limit to the maximum allowable tax deduction for 2024 has yet to be announced.

The amount you’ll receive from CPP in retirement depends on your income and your personal situation. Seniors currently [earn up to \\$758.32 monthly from the CPP](#), but may also receive Old Age Security (OAS) and Guaranteed Income Supplement (GIS) payments, depending on their circumstances. While the increased CPP amount is promising for your retirement income, it may still not be enough for you to live off of. Generally, sources say [you’ll need 70 to 80% of your annual income when you’re retired](#). (The [average retirement age in 2023](#) was 65.)

- Also read: [What is the average retirement savings by age in Canada?](#)

To get yourself there, consider setting aside some of your income in an investment account like a Tax-Free Savings Account (TFSA), or a [Registered Retirement Savings Plan \(RRSP\)](#) to make sure your money works hard to send you into a comfortable retirement.