

Employees and the 2025 CPP changes



Miguel

- Age 28
- A Canadian employee
- Wants to save money for retirement
- Looking to understand their Canada Pension Plan (CPP) contributions



How do the 2025 CPP changes affect Miguel?

Miguel is considered a higher-income earner because their annual income is higher than the amount of the Year's Maximum Pensionable Earnings (YMPE), or the "first earnings ceiling".

As of 2024, higher-income earners like Miguel started to make second additional CPP contributions (CPP2).

The CPP changes will provide up to 50% more CPP benefit income for employees who reach retirement age in approximately 40 years.



How are Miguel's CPP2 contributions calculated?

Anyone who earns annual income higher than the amount of the YMPE makes CPP2 contributions. Employers make a matching CPP2 contribution.

As an employee, Miguel's CPP2 annual contribution equals 4% of the income they make between the first earnings ceiling and a higher "second earnings ceiling".

In 2024: the second earnings ceiling is approximately YMPE plus 7%.

In 2025 and every year after: the second earnings ceiling will be approximately YMPE plus 14%.

Miguel's employer deducts CPP2 from their paycheque, just like they do for their regular CPP contributions.



To learn more, visit:

canada.ca/cpp-enhancement

