Avoid the Most Common Mistake With Your CPP

Description

The latest data from the World Health Organization (WHO) shows that the average life expectancy in Canada is 80.9 years old for men and 84.7 for women. The statistics suggest that many Canadians will live until the "not so golden" years.

So if you think you have good chromosomes or genes and are living a healthy lifestyle, your retirement years could be longer. But longevity could also be a problem. You should be able to time the collection of your pension perfectly. Otherwise, you might run out of funds during your lengthy retirement period.

Decumulation mistake

In Canada, the pensionable age is 65 years old for both men and women. Most retirees start collecting payments from their Canadian Pension Plan (CPP) at this age. But financial advisors advise pensioners against it. They call it a "decumulation" mistake that you should avoid.

They say that collecting CPP payments at 65 is a bit too early. It won't give you financial security in old age. The suggestion is to defer your CPP payments for as long as you can. For every year you defer collection, the monthly amount you will receive increases.

If you wait until you're 70, the payout is 42% more than what you would otherwise receive at age 65, a significant difference which could benefit you in your later years.

Retirement stock

As many would-be retirees rarely collect the maximum CPP monthly amount, you can secure your financial future with a good investment. The **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) or TD is the ideal retirement stock.

The second-largest bank in Canada has been paying dividends to shareholders for over 137 years. And this $133.2 billion bank is still going strong, with a long expansion runway. Regarding assets, TD has the most compared with the four other big banks.

Steady growth has allowed TD to generate double-digit returns on equity year after year on its retail operations. U.S. banks can't deliver ROEs beyond the single digits. If you have a stock that can generate a total return of 330%, including dividends, you can expect more money to add to your monthly pension.

TD pays a decent 3.76% dividend yield with plenty of wiggle room to increase given the modest payout ratio of 44.35%. In case of an economic downturn, the bank can still continue paying dividends. TD's earnings are forecast to increase by 10% annually over the next five years.

Happy retirement

You can have a worry-free retirement in your 70s or 80s when you time your application for CPP payments. A deferment or extension of payment by five years from age 65 would improve the amount of your monthly pension. And with TD as your retirement stock, you have a powerful two-pronged source of active income.

Remember that your retirement years should be a welcome breather after years of the daily grind. You deserve to enjoy the fruits of your labour. Don't risk outliving your money and be stressed out for the rest of your life.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/09/19
Date Created
2019/08/19

Author
cliew