Retirees: Take Advantage of This 1 Strategy to Boost Your CPP Pension by 42%

## Description

Most Canadians know that the standard age to start taking your monthly CPP pension payment is at 65, but most folks are unaware that you can take your pension as early as 60 years of age or as late as 70.



It is a lot better for the government of you take your pension at a later date, because they get to compound that money for a few years longer, and they also assume you will take fewer years of the payment, as you are that much closer to death, at least actuarially speaking.

So, given that, the government juices your payments if you take them later than 65 but cuts them if you take it earlier than 65. Sounds logical enough, but what most retirees miss entirely is the magnitude of these payments at the age of 70 versus 65.

The difference is a huge 42% cumulative gain when you take your pension at the age of 70, and that additional cash can significantly impact your quality of life.

Let’s do some quick math to understand the numbers. The maximum monthly CPP payment at age 65 in 2019 is $1,155, which converts to $13,860 annually.

Now, assume that a retiree waits until the age of 70 to take their CPP payment. Their annual payment will increase by 42%, giving them a total of $19,681. That’s an increase of $5,821 per year for life, indexed to inflation.

Assuming our retiree lives to the ripe age of 100, which is entirely possible with all the medical advances these days, that extra annual payment bump equates to a monster $105,336 extra CPP payments over the retiree’s lifetime.

In very simple terms, the government will pay you an extra hundred grand for being smart enough to delay CPP by just five years. But this leads to the usually associated dilemma of how one goes about creating a retirement income stream of at least the same amount as the CPP payment they would get from the age of 65 to 70.

Well, that part is straightforward if you have saved up at least $250,000 and are willing to invest it all in high-quality blue-chip stocks that pay out a sizeable dividend and keep growing that dividend by 5-7% per year.

The trick is to know which stocks you can absolutely trust to deliver your retirement when you absolutely cannot afford to make any mistakes.

## A diversified portfolio

First, you need to think about diversification across different geographies, different currencies, and different types of business that are less correlated to each other and more or less stable in any environment.

My strong view, which is backed up by decades of historical data, is that utilities, banks, and real estate companies do well in any environment because no matter what, people still need a roof over their head (real estate), they need electricity and gas (utilities), and they need to have a bank account and collect a paycheck and pay bills (banking).

While I could go on and on about top stocks that make the cut, I will let you read about them in this recent article of mine and focus on one pick in the utilities sector.

My no-brainer pick is **Canadian Utilities**, the definitive best-of-breed Dividend Aristocrat in Canada that has increased its dividend annually for the last 47 years.



This streak of increases is all the more impressive when you consider that this period included the Great Market Crash of 1987, the dot.com bust of 2001, and the Great Global Recession of 2009.

## Investor takeaway

The company pays an impressive 4.25% dividend at the time of writing, and the stock price is hovering around the $40 mark, which is exactly where it was about three years ago.

This means that the market isn't willing to pay any extra for this stock than it did back then, even though earnings, cash flows, and dividends have steadily increased during that period.

Not only has the company increased its cash flow, but it has steadily increased dividends by a rate of 10% each year for this period, so investors are effectively getting a higher-quality stock at the same price. I see that as great investor math!

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