



Should You Start Your CPP Pension at 65 or 70?

Description

In your 60s, you start looking at things a bit differently, especially your finances. If you started saving for your retirement years early on, you might have a decent-sized nest egg to sustain you during your retirement years.

You may or may not depend entirely upon your investment vehicles like TFSA or RRSP to fully cover your retirement living expenses. But one thing you can rely upon is your CPP income.

As CPP is mandatory, you and your employer have been contributing to it since you have been working. If you started working early on in your life and always made sufficient contributions to your CPP in all your working years, you might be in the top tier of CPP payouts. You will be getting an amount nearer to \$1,134, instead of the average monthly CPP payment of \$640.

Qualifying for a high CPP payment is based on two criteria that you have little control over. It's just one of the reasons why there's such a massive difference between the maximum CPP amount you can get and the amount average retirees actually get.

But there *is* something that you can do to fatten up your CPP cheque significantly. And it's a relatively simple thing to do: wait. And though waiting five years extra for your first CPP payout seems harsh, it's well worth it.

65 or 70

Sixty-five is the age you at which qualify for your CPP – the age where the pension overlords will start writing you a CPP cheque every month until the inevitable end.

But the age of 65 isn't written on stone. You can start your CPP pension early, at the age of 60 or you can wait till 70 to start the pension. But why should you wait five extra years after qualifying for CPP at 65 years of age?

The answer is 42.

If you wait till 70 to get your first CPP pension, it will be 42% more than what you would have received at the age of 65. For example, if you qualify for the dead-average CPP pension of \$640 a month when you are 65, and you choose to start getting paid, you will receive \$640 a month for the rest of your life. If wait till 70 to start your CPP, however, you'll get a monthly sum of about \$909.

In the meantime...

The five pensions-less years between 65 and 70 might prove a bit hard to live through, without cracking open one of your nest eggs. But you can be smart about it.

One of the easiest ways is to invest in a high yielding dividend aristocrat and [receive reliable payouts](#). But it isn't the only way. You can also invest in a fast-moving growth stock like that of **Air Canada** ([TSX:AC](#))(TSX:AC.B).

Air Canada has been one of the best growth stocks this year, with over 90% growth since January. Even if we look back to the five-year history of this stock, the increase in market value has been an incredible 320%. It translates to about 64% growth a year. Let's tone it down to 60% for a simple calculation.

Let's say you invest \$20,000 in Air Canada when you are 64 years of age. By your 65th birthday, your investment will (hopefully) be worth \$32,000.

If you require a monthly income of \$640, equivalent to what your CPP payment would have been, you can sell \$7,680 worth of shares, which will leave you with a \$24,320 investment. If it follows the 60% trend of growth, you will own shares worth about \$38,912 by the time you are 66.

Realistically, it might not always be [that straightforward](#), but it should give you an idea.

Foolish takeaway

Waiting till 70 to start your CPP pension seems like the best option. As it will be your most dependable income source, making it as big as it can get is only logical. Think about it; just five years of waiting will get you 42% more for the rest of your life.

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