Canadians: This Simple Trick Can Increase Your Retirement Income by 42%

Description

Many Canadian savers are worried they won't have enough for a comfortable retirement — especially the folks who haven't been aggressively contributing to their TFSAs or RRSPs.

The good news is, there are certain strategies that can easily increase your income during your golden years. Let's take a closer look at one strategy and a couple of ways you can implement it to make even meagre retirement savings go a lot further.

CPP options

Most Canadians start withdrawing from the Canada Pension Plan (CPP) at the standard retirement age, receiving their benefits starting at age 65.

But many of us don't know that you can elect to start taking your CPP as early as age 60. Many folks do this as part of an early retirement. Sometimes, this is all part of an elaborate plan, but not always. Thousands of people each year are forced to start taking retirement benefits early because health issues force them away from traditional employment.

One major problem with taking CPP early is, you're forced to give up a big portion of your monthly benefit in exchange for getting the cash now. The maximum annual CPP benefit is $13,855 if you take it at the traditional retirement age. That drops to $8,867 per year if you start taking CPP at age 60.

The opposite happens when you wait until age 70 to start taking CPP. The maximum benefit leaps to $18,616 per year. Add that to your spouse's CPP payments, Old Age Security (OAS) payments, and various other forms of retirement income, and suddenly, even somebody without much tucked away can look forward to a middle-class retirement.

That works out to an extra 42% each year compared to taking CPP at age 65, and a whopping 110% more than taking CPP early at age 60.

Two ways to implement this plan

Now that we know this information, let's take a closer look at two ways you can use this to your advantage.

The first method is easy. You simply continue to work until age 70 and then hang up the proverbial skates.

Working longer has many advantages. An older worker with plenty of real-world experience can be valuable and will likely be paid well for that. Continuing to work will help keep you busy, too. And those earnings can be saved for an upcoming retirement.

But there are disadvantages, too. Some folks can barely keep working until age 60; 10 additional years in the workforce just isn't going to happen. And there are a million other things to do besides work. Life is short, and we only have so much time to enjoy it.

There's another solution, but I'll admit it's a little risky and unorthodox. What a retiree can do is stop working at age 60 or 65 and then refrain from taking CPP until age 70. They can then spend most of their retirement savings until their 70th birthday, and then a combination of CPP, OAS, and other sources of income take over.

And since most Canadian retirees have a paid-off house, the principal residence can then be sold if a bigger cash cushion is required.

The bottom line

Embracing this plan requires a shift in thinking. It might make zero sense to you to deplete your retirement savings by age 70 and then depend on the government. I get that. What if the rules suddenly change?

But if you're in a position where you desperately need additional income come retirement, one of the easiest solutions is to delay taking CPP until age 70. That move alone will drastically increase your income. After that, the rest of the details are up to you.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/09/09
Date Created
2020/01/15
Author
nelsonpsmith