



RETIREEES: How to Take CPP at Age 60 AND Pay ZERO Tax to the CRA!

Description

To take CPP or to not take CPP? For Canadian retirees, that is the question. With CPP benefits significantly increasing the longer you put off taking them, there's a big incentive to wait until age 70 before cashing in. According to a 2017 *Financial Post* article by wealth advisor Ted Rechtshaffen, a person can earn up to \$9,200 a year in extra income by taking CPP at 70 instead of 60. The example was based on a number of factors and doesn't apply to everyone, but it illustrates the fact that you generally get more CPP benefits per year the longer you wait to take them.

But is it better to have access to money now or receive more money in the future? It's far from guaranteed that you'll live to 70, and you may have urgent expenses that require taking CPP as soon as possible. For those who are already struggling with bills, delaying CPP may not be an option.

Fortunately, it isn't really necessary to wait on CPP. By investing wisely, you can easily earn a nice income supplement that can equal what you'd lose by taking CPP early. If you don't already have a lot of savings, it could take a while to get there. However, it's undeniably worth it.

Build your TFSA portfolio over 10 years

If you need to take CPP early but are worried about reduced benefits when you're older, the smartest thing you can do is get an income-producing investment portfolio in a TFSA. Income-producing investments like dividend stocks and ETFs generate cash money without you having to sell stock, making them a perfect way to maintain savings while drawing an income. What's more, held inside a TFSA, they're tax free!

How much income you can earn

Right now, you can [contribute up to \\$69,500 in a TFSA](#). At an average portfolio yield of 2.8%, you'd [generate \\$1,946 a year in extra income](#).

One investment you can buy right now that could get you there is **iShares S&P/TSX 60 Index Fund**.

As a highly diversified, low-fee index fund, it spares you the risk that comes with buying individual stocks. It's based on the TSX 60, an index made up of the 60 largest publicly traded companies in Canada. The TSX 60 is a good index to replicate, because it's made up of large-cap stocks that come with less risk than some of the smaller components of the TSX composite. Also, many of them pay solid dividends, which partially explains why XIU has such a high yield compared to many index funds.

With \$69,500 worth of XIU, you could easily grab \$1,946 a year tax-free in a TFSA. Depending on your circumstances, that could be enough to make up for the annual payments you'll miss by taking CPP early. Of course, you shouldn't put your *entire* TFSA in XIU or any one security. However, it could make up one solid component of a well-diversified TFSA portfolio yielding 2.8% on average.

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