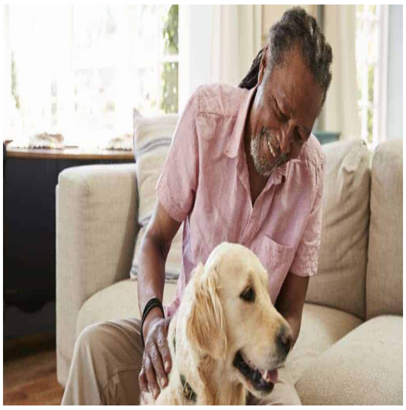

CPP Pension User: 2 Reasons You Should NOT Take Your CPP at 60

Description

Nothing is wrong if you elect to take your Canada Pension Plan (CPP) once you become eligible. Many would-be retirees see it as the best start. However, there are legitimate reasons why a small percentage of retirees delay receiving the CPP payments past 60 years old.

If you don't need financial sustenance yet, or you're in great physical shape, you're not leaving money on the table. On the contrary, it might be the most optimal financial decision you'll ever make. You won't lose 36% of your pension permanently. But waiting until you're 70 means receiving a pension amount that is 46% more.

Lower your retirement income risk

The underlying assumption is that spending and the cost of living will decrease during retirement. But since future expenses are hard to predict, you can lower retirement income risk. I suppose retirees delaying the CPP have the money to tide them over while waiting for a more substantial pension.

You too won't rush to claim CPP if you have investment income from dividend stocks such as **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Keyera** (TSX:KEY). Aside from financial security, both stocks offer inflation protection.

BMO is not only the first company in Canada to pay dividends. The banking sector is to which it belongs is a proven long-term-performing sector. The Big Five banks, including BMO, never sought assistance from the central bank during the 2008 financial crisis.

The operations of this $66.36 billion financial institution remain unbroken to this day since opening its doors to clients in 1817. It's now the fourth-largest lender in Canada. Its strength lies in wealth management, credit card, and insurance businesses. Operations in the U.S. are likewise contributing to growth.

Over the last 20 years, BMO's total return is a remarkable 856.71%. With its 4.09% dividend, $200,000 worth of shares should deliver $8,180 annual windfall, or nearly $685 in monthly financial support.

BMO is expecting a 4.19% yearly growth rate in the next five years.

Keyera can be one of your “key” assets while stalling the CPP benefit. This $7.5 billion oil and gas midstream company offers a 5.55% dividend. With no more than $100,000 investment, you can create an annual passive-income stream of $5,550. Also, the dividend is safe given the conservative payout ratio of is 67.41%,

Despite the headwinds in 2019, Keyera was able to gain 31.81%. It was among the best returns in the industry. Analysts are predicting that this energy stock could pull off a 27.87% gain in the next 12 months.

One advantage of Keyera is the focus on natural gas midstream. Since natural gas processing margins are expanding, and a massive infrastructure plan for 2022 is underway, the company’s earnings should significantly grow and be very positive within three years.

Wealth and good health

The longer you wait, the bigger your CPP benefit can be. However, the first presumption is that you have wealth from income-producing assets like BMO and Keyera. Second and most important is that you expect a longer retirement due to good health. For these reasons, you can afford not to take your CPP at 60.

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cliew