Retirees: 2 Nifty Tricks to Boost Your After-Tax CPP Pension

Description

About to retire soon and not sure when to collect your Canada Pension Plan (CPP)? You're not alone. This is a common worry for many Canadians when they are in their late 50s.

It doesn't help that the rules for calculating how much CPP you will receive are confusing and all over the place, with rules of contribution always changing.

Here are two neat tricks you can use to get the most out of your CPP.

Delay your CPP pension

If you're approaching 60, you have to make a decision of when you will take your CPP. For some people, taking the CPP at 60 will be the right choice. However, you must be aware that for every year that you take your CPP before the age of 65, you'll receive 7.2% less, for a total of 36% less.

However, if you delay your CPP until 70, you'll receive 42% more. If you can afford to delay and think you'll live a long and healthy life, consider delaying your CPP payments until 70. You'll receive more money in the long run.

Understand CPP taxes

It's essential to understand how much you'll receive after-tax with your CPP. Many retirees aren't aware that the CPP payments you will receive when you retire will be taxable.

Now that you are aware of this, you'll have to figure out ways to maximize your after-tax pension. If you're a younger Canadian, you should follow the example of saving and investing early to secure a prosperous financial future. For older Canadians, it's not too late to start saving the right way.

The Tax-Free Savings Account (TFSA) is the perfect way to give your retirement pension a boost. If you're an older Canadian that's approaching retirement, you want to stay away from substantial stock positions in risky industries such as tech and marijuana.

An ideal investment would be into an industry such as consumer staples. **Dollarama** (TSX:DOL) is an example of a consumer staple company. Dollarama is a $16 billion market cap company, with a customer base that is serviced by over 1,000 stores in operation all across Canada.

The company is loved because it provides customers not only with compelling value, but also with a pleasant shopping experience. All stores are conveniently located in metropolitan areas, mid-sized cities, and small towns alike.

You'll find a broad selection of merchandise, consumables, and seasonal items inside stores for a reasonable price

In the event of a market crash, discount retailers don't typically drop in demand too much — a strong selling point of DOL.

Had you invested $10,000 in Dollarama 10 years ago in your TFSA, it'd be worth a staggering $133,732 today. Yes, you read that right, it would have increased 13-fold! Now *that* would have been a nice retirement gift to you — and all tax-free.

Conclusion

Of course, Dollarama isn't guaranteed to perform this well in the future. The above example is to demonstrate the power of a TFSA and how investing can turbo-boost your retirement savings. Don't just rely on your CPP when you retire — invest!

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cliew