



CPP Pensioners: Here's Why 70 Is the New 60!

Description

Should you take CPP pension payments [sooner or later?](#) That's the question that most retired or soon-to-be-retired Canadians have on their mind. The answer to the question ultimately depends on your unique circumstances. Still, in this piece, I'm going to make a few assumptions about my audience that seeks to find the optimal age to start receiving CPP pension payments.

First, I'm going to assume you've built up a sizable nest egg for yourself and you're not looking to rely on CPP (or OAS) payments alone to finance your retirement lifestyle. While it's theoretically possible for an older (late 60s or 70s) retiree to obtain a livable monthly amount in certain low-cost Canadian cities, most will discover that after taxes, there's not a heck of a lot left to fund anything other than a frugal retirement.

Second, I'm assuming that you're in your youthful late 50s or early 60s, have yet to receive pension payments, and are planning to work until you hit 65.

Third, I'm going to assume that you're in decent health and are expected to live a long time, possibly to your 90s or 100s.

With all these assumptions, you should opt to delay your CPP (or OAS) pension payments later rather than sooner. For you, 70 is the new 60. Why?

You've already got a sizable nest egg that's still subject to grow, either through contributions from your last years in the labour force or through investments in the equity markets. It's this nest egg that should act as the primary hand that feeds, not your pension, which will continue to grow the longer you leave it untapped.

With your TFSA nest egg, you're in a position to receive a handsome amount of tax-free income. And you won't need to crack it open by spending the principal and run the risk of running out of money at some point down the road.

Moreover, your TFSA-based income stream can have the potential to finance a comfortable retirement lifestyle such that you won't even have the need to turn your pension on.

Why you shouldn't take pension payments earlier if your TFSA passive-income stream is enough

Even if your TFSA passive income stream is good enough to fund yourself retirement, you should avoid the desire to live lavishly by adding pension payments on the top.

The hunt for "risk-free" yield is getting harder. We live in an era where fixed-income securities are pretty unrewarding, with interest rates as low as they are. And as a (prospective) retiree, one shouldn't feel obliged to go all-in on the equity markets to get the returns they need.

To get a mix of "risk-free" growth, one should seek to delay pension payments, so their pension income stream will continue to grow at [a guaranteed rate](#) that's less risky than that of most medium-duration bonds and more rewarding than having your money sit in low-interest savings accounts.

Foolish takeaway

With such a "risk-free" future income stream waiting for you at 70, you can afford to have a "risky" (equity-based) self-constructed income stream to get you through your 60s, without an overreliance on those severely unrewarding debt securities that far too many retirees are overweight in.

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