CPP Pension: Should You Take Your CPP at 60 or 70?

Description

One critical decision you will need to make at some point in your life is when to start collecting your Canada Pension Plan (CPP) payments. Canadians become eligible to begin collecting their [CPP payments] when they turn 60, but they have the option of delaying their CPP until they turn 70.

The difference in collection at 60 and 70

I know that a lot of Canadians might want to jump at the opportunity to start collecting their CPP as soon as they turn 60. There is a slight problem with that. For each month you start collecting your CPP before the age of 65, you will lose 0.6% of possible payments you can collect.

That translates to a total of 36% in reduction if you start collecting at 60 as opposed to starting at 65.

For every month you defer collecting your CPP payments, you can gain an additional 0.7% per month, which translates to a total of 42% more in CPP payments if you can defer collecting your payments.

As you can see, there is a clear difference in the amount you can receive from your CPP payments with the 10-year difference. This is a critical choice you need to make, and there are a couple of factors you should consider when making the decision.

Life expectancy

I realize that contemplating the inevitability of your death can be tough, but it’s a critical factor to consider when deciding when to start collecting your CPP. Consider your life expectancy as an essential part of when you should start. If you go by the national average, the average Canadian citizen has a life expectancy of 82 years.

However, if you don't want to take the chance and have a shorter life expectancy, you might want to consider collecting your CPP closer to 60. Consult your doctor about your health. If you are confident that you are healthy enough, consider delaying your CPP until you turn 70.

Can you afford the delay?

The second factor is whether or not you can afford to delay your CPP. If you're nearing your retirement age and you calculate that your savings might not be enough to give you adequate retirement income without the CPP, you might want to start collecting as soon as you turn 60.

Alternatively, there is a way you can supplement your retirement income so that it becomes possible for you to defer your CPP until you blow the candles on your 70th birthday. The answer is investing in a stock like **Capital Power Corporation** (TSX:CPX) and holding its shares in your Tax-Free Savings Account (TFSA).

Capital Power is an affordable dividend-paying stock that has strong fundamentals, a juicy dividend yield, and low beta. That translates to an income-producing asset that can offer you significant wealth creation held in your TFSA.

It's a North American power-producing company that develops, acquires, and operates power generation through several sources. The company operates electric generation facilities located in both Canada and the United States.

Purchasing the stock of the company and holding it in your TFSA can help you grow your wealth through its capital gains and dividend income.

Foolish takeaway

Capital Power has been around for more than 130 years. The stock has gained almost 30% year over year to trade for $37.62 per share at writing.

Allocating a portion of the contribution room in your TFSA to its shares can help you leverage its possible capital gains. Its payouts with a juicy 5.10% dividend yield will supplement your TFSA balance with free cash as well.

Investing in a stock like Capital Power can help you boost your retirement income so you can delay your CPP payments until you're 70 so you can maximize your total revenue.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
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Date
2025/07/06
Date Created
2020/02/18
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