CPP Pension User: 65 Could Be the Perfect Age for You to Take Your CPP Pension

Description

Canadians take the retirement exit anywhere from 60 to 70 years old. But for the longest time, the average retirement age is 65. It’s not early or late, but just right. However, the period is almost perfect if you have the strategies in place.

The retirement benefits in the country — the Canada Pension Plan (CPP) and Old Age Security (OAS) — were basically designed for a retirement age of 65. With the changing times, however, some elect to work beyond the age, while others opt for early retirement.

Assuming your goal is to retire at the usual age, make sure to minimize the OAS clawback or anything that will diminish your retirement income.

Prioritize your TFSA

The Tax-Free Savings Account (TFSA) remains the best tool to minimize taxable income and offset the OAS clawback. Similarly, the CRA will not include the tax-free earnings from your TFSA in determining the recovery tax. You can hold investment assets like stocks to create tax-free income.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is among the ideal core holdings in a TFSA. With this bank stock paying 4.85% dividend, you’re in a position to earn a significant retirement income far past 65 years old. Its 188-year dividend history makes it a standout long-term investment.

As a matter of information, the Canada Pension Plan Investment Board (CPPIB) has holdings or investments in all of the Big Five banks in Canada. BNS is the seventeenth-largest holding and the second-largest holding in the banking sector.

The annual growth estimate for BNS in the next five years is 4.45%, which should give would-be retirees the confidence to place their trust in the bank.

Lower your net income OAS calculation

One strategy you can use to reduce the base the CRA uses to calculate the OAS clawback is to keep contributing to the Registered Retirement Savings Plan (RRSP).

Some would-be retirees are unaware that RRSP contributions provide a deduction against income. If you have contribution room or have any employment income, you might as well contribute to the RRSP until your 71st birthday.

An ideal asset to invest within your RRSP is also a bank stock. **National Bank of Canada** (TSX:NA) is perennially under the shadows of the Big Five banks. But in 2019, this $24.6 billion bank showed its mettle by outperforming the bigger industry peers.

National Bank is no patsy when it comes to historical returns. Investment in this bank 20 years ago rewarded investors with a total return of 1,716.40%, including reinvestment of dividends.

A stock that has delivered an average annual total return of 15.59% in the last two decades deserves to be in anyone's RRSP.

Had you invested $10,000 in National Bank on Valentine's Day in 2000, your money would be worth $181,591.21 in the heart month of 2020. At present, the stock is paying 3.85% dividend. The growth estimate for this Quebec-focused bank in the next five years is 7.2%.

Dream stocks

BNS and National Bank are a dream combination. By prioritizing your TFSA and making RRSP contributions to lower OAS calculation, you're priming yourself up for a happy retirement at age 65.

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