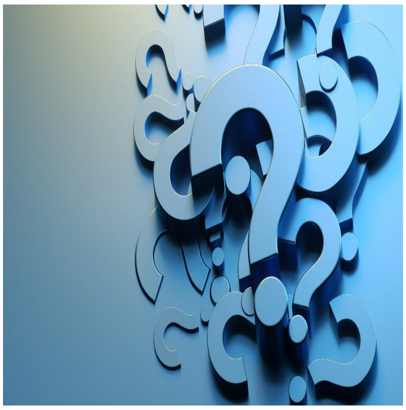

CPP Pension: Should You Take Your CPP at 60 or 65?

Description

One of the most critical decisions you have to make as a Canadian retiree is when to start collecting your Canada Pension Plan (CPP) payments. You are eligible to receiving your CPP payments at the age of 60, but you have the option of delaying it until you are 65 or even 70 years old.

Collecting at 60 and 65

Who would not want to jump at the opportunity to start receiving monthly payments from the Canadian government? I know many retirees who are merely waiting to blow the candles on their 60th birthday, so they can begin collecting their CPP payouts. There is, however, a slight problem with that.

The typical age to start collecting your CPP is 65. For every month you start collecting your CPP payments before the age of 65, you lose 0.6% of possible payments you can collect. If you start collecting your CPP payments at 60 as opposed to 65, you stand to lose a total of 36% of potential retirement income.

Collecting your CPP at 70

Similarly, deferring the collection of your CPP for every month after the age of 65 means you can earn an additional 0.7% from the government. That means waiting until you hit the age of 70 can help you make 42% more through your CPP as opposed to collecting your CPP at 65.

A 10-year difference in starting your CPP payments can mean a substantial 78% difference in potential income through the pension plan. Of course, delaying your CPP till you are older means you need to have an alternative source of income to keep you going till you reach the desired age.

How to afford the delay

If you are nearing your retirement age and, according to your calculation, your retirement savings might not be adequate without the CPP, you might want to start collecting your CPP as soon as you turn 60. What if I told you there is a way to supplement your retirement income, so you can successfully delay your CPP until you turn 65 or even 70 years old?

The answer is investing in a stock like **Capital Power** (TSX:CPX) in your Tax-Free Savings Account (TFSA).

There are two ways it can help you earn adequate income until you hit 65. The TFSA shelters any earnings on your assets stored in the account. That means any capital gains of shares held in the TFSA and dividend payouts will not be subject to income tax by the Canada Revenue Agency.

The second way holding Capital Power stock in your TFSA can help is through its juicy dividend yield of 4.95%. It is an affordable stock trading for $38.77 per share at writing. The stock has a low beta, which means it is not subject to the same volatility of the broader markets.

Foolish takeaway

The power-producing company develops, acquires, and operates power-generating assets throughout North America. It has the potential for a robust performance over the long run. The company has been around for more than 130 years. It has seen times of major economic meltdowns and remains strong to this day.

I think allocating some of the contribution room in your TFSA to the Capital Power stock can help you kick-start a secondary pension plan to defer your CPP payments until you are 65 or even until you turn 70.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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PARTNER-FEEDS

1. Business Insider
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2. Energy Stocks
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Date
2025/08/23
Date Created
2020/02/26
Author
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