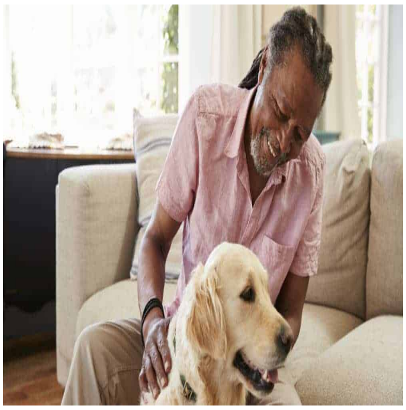

CPP Pensioners: Avoid Taking Out Your CPP at 60

Description

The Canadian Pension Plan (CPP) is a monthly retirement pension that aims to replace part of your income when you retire. In case you qualify for the CPP, you will receive monthly payments for the rest of your life.

To qualify for the CPP, you need to be over 60 years of age and have made at least one valid contribution to the CPP. The pension amount is determined based on your contributions to the CPP, average earnings throughout your work life and the age you decide to start receiving these payouts.

Wait for a higher payout

For most Canadians, the typical age to start receiving the CPP is 65. You can delay these payments till the age of 70. If you receive pension payments at the age of 60, the payout will be smaller and if you decide to start payments later the payout will be comparatively larger.

For 2020, the maximum monthly amount a 65-year-old pensioner starting the CPP can receive is $1,175.83, while the average monthly amount is $672.87. If you start CPP payments at 60 instead of 65, you can lose 36% of your pension amount. Conversely, if you start CPP payments at 70, it can be 42% higher.

Pensioners also need to know that there is no additional benefit to delay payouts after the age of 70.

Have a second stream of income

The average life expectancy has increased over the years, driven by rapid advances in the medical field. In Canada, the average life expectancy stands at 81 years, which means a longer life will put a strain on your financial reserves. Investors need to plan ahead and start saving to avoid total dependency on the CPP and other pension plans during retirement.

Even if you delay your CPP payments till 70, the average payout will be about $950 per month. This is hardly enough considering the high cost of living in major Canadian provinces. Canadians can look to invest in dividend stocks such as **Alaris Royalty** (TSX:AD) to ensure a second stream of income and supplement pension payments.

The market sell-off in the last two weeks has dragged shares of Alaris Royalty lower. The stock is trading at $18.06, which is 23% below its 52-week high. In the last 12 months, Alaris Royalty stock has returned -5.8% compared to the S&P 500 gains of 10.7%.

This has meant that Alaris is trading at a forward price-to-earnings multiple of 9.3, which is an absolute bargain considering its growth metrics. Analysts expect company sales to rise by 16.7% to $116.78 million in 2019 and 7.5% to $125.5 million in 2020.

Its earnings are estimated to rise at an annual rate of 8% in the next five years. Further, the company has a juicy forward dividend yield of 8.6%. This means if you invest $10,000 in Alaris Royalty, you can receive $860 in yearly dividend payments.

However, this is just an example to identify cheap stocks that can create significant wealth for long-term shareholders. Investors need to consider stocks based on their investment goals and risk appetite.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

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