
This 1 CPP Pension Decision Can Increase Retirement Income by 42%

**Description**

It's never too early to start planning for your retirement. And even though it's usually very late to plan for a cozy retirement once you're 64, there are still decisions you can make that can impact your life as a retiree. Some of the most important decisions in this regard are financial in nature.



How comfortable your retirement is depends heavily on what you have or your earnings through passive income. Your primary income generally discontinues at 65. Many Canadians are now opting to work till 70. It increases the time they have to earn and to make as much as they can for their retirement.

But working past 65 isn't the only financial decision you can make to fund a happy retirement.

## One retirement decision

The Canadian government has introduced many initiatives to improve the life of its people. And two of those decisions are CPP pension and OAS. There isn't much you can do about your OAS pension, there is one way to fatten up your CPP paycheque: wait.

Wait till you are 70 to start taking your CPP pension instead of 65. This will help you add 42% more to your monthly payment. And since it will continue till the end, it's the most dependable income source you will have in retirement. So, increasing it as much as possible is a very wise decision.

Let's say you qualify for $900 a month CPP pension at 65, midway between the average and highest possible payout at that age. If you wait till 70 to take that pension, you can increase that amount to a decent $1,278 a month.

## Meanwhile, invest in dividend stocks

You have to fill that $900 monthly gap that you were expecting to fill with your CPP pension. If you have decided to wait till 70 to start your CPP payouts, you can crack one of your nest eggs to invest and reap a monthly income of $900. That comes down to $10,800 a year, and even with a $100,000 investment, it would require a 10.8% dividend yield.

Instead, you may want to leverage growth and dividends together. Consider two stocks: **CargoJet** ( TSX:CJT) for growth and **Plaza Retail REIT** (TSX:PLZ.UN) for dividends. If you invest $50,000 in each, you will earn $250 a month through Plaza REIT's 6% yield, and if CargoJet continues with at least 31% CAGR (as it has been doing for the past 10 years), your $50,000 in it might grow to $65,500.

So, to bring the total to $900 a month, you will need to sell $7,800 worth of CargoJet stock. This is half of what you might earn in capital gains from the stock's growth. And if the company keeps increasing its market value at the same pace, it will be covered in about two years.

Plaza REIT was a Dividend Aristocrat, but in the past two years, it has kept its payouts stagnant. But the payout ratio is very stable at 64.8%, and the market value is fluctuating around $4.5 since 2015. CargoJet, however, has seen marvelous growth in the past five years. The stock has dipped a bit since mid-February, but we can chalk that up to global economic conditions.

## Foolish takeaway



It might seem a bit risky to invest $100,000 in stocks, just so you can wait till 70 to get your CPP pension started. But you have to understand that, unlike your stocks, which may or may not perform as you expect them to, your CPP pension is a sure thing. And once it's set, it won't change or fluctuate. So, increasing your sure income source as much as you can make more financial sense, even at the cost of putting your savings to work early.

And as for investing, the two companies are in a very good position right now. The chances are that by 70, you will have a substantial sum in capital gains compared to your original sum of $100,000. Plus, the monthly dividend payment will help you with your monthly expenses, alongside CPP and other passive-income sources.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:CJT (Cargojet Inc.)
2. TSX:PLZ.UN (Plaza Retail REIT)

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