CPP Pension: Should You Take Your CPP at 60 Since the Market Crashed?

Description

We are in the midst of what could be the most significant market correction since the 2008 financial crisis. The coronavirus epidemic has catalyzed a market crash we have been expecting since the start of 2019. At writing, the S&P/TSX Composite Index is down by more than 19% from its February 2020 peak, and it might pull back further.

Canadian investors are fearful of the possible impact of this coronavirus-fueled sell-off may have on their financial situation. Retirees, in particular, might be concerned regarding their Canada Pension Plan (CPP) payments. I've recommended deferring your CPP until you turn 70 so you can enjoy a 42% greater CPP payout from the government.

Are you wondering whether I've changed my views regarding deferring your CPP in light of the recent sell-off? Let's take a look at the situation before I give you my opinion on the matter.

Collecting your CPP at 60 and 70

If you start receiving your CPP before the age of 65, you stand to earn a lower payout. For every month before 65, you earn 0.6% less. If you start collecting your CPP as early as the age of 60, you can receive 36% less than you would if you started at 65.

Your CPP payments increase by 0.7% for every month you defer after 65. If you consider delaying your payouts until you reach the age of 70, you can earn 42% higher CPP payments.

In the difference of 10 years between beginning your CPP payments, there is a significant gap in how much you can earn through your CPP in retirement. Deferring your CPP as long as possible can be highly beneficial for your overall retirement income.

Should you start CPP early due to the market crash?

To answer the question I posed earlier, I have not changed my mind about my recommendation to defer your CPP payments until you are 70. A market crash can have a significant impact on how much the CPP can pay you.

An investment portfolio funds the CPP. A decline in dividends and interest rates can theoretically cause the CPP to suffer from a drastic shortfall. The government will likely respond to the shortfall by raising premiums, so the CPP payments do not decline. Still, it is theoretically possible for your CPP payments to be lower if the market crash is severe.

I would recommend deferring your CPP so the investment fund can recover as the market and economy becomes healthier.

What to do until then

If you are concerned about being able to defer your CPP during the market crash, you need a recession-resistant asset to supplement your retirement income until the economy recovers. It would not hurt if you created a secondary passive income stream by investing in shares of recession-proof companies.

I would recommend investing in a utility sector stock like **Fortis Inc.** (TSX:FTS)(NYSE:FTS). People need their electricity and gas running whether the sell-off is due to a debt crisis, or a global health crisis. Fortis is a generous dividend-paying stock that has consistently increased its payouts for more than 45 years.

Its dividend streak has endured several challenging periods in the economy, including the market meltdown of 2008. While the recession was wreaking havoc on the broader markets, the stock increased its earnings. The utility service has an indispensable business structure. People cannot cut out their subscription to the company's services from their budgets.

Foolish takeaway

I would recommend that you start building an investment portfolio of recession-proof assets. A portfolio with enough recession-proof dividend-paying stocks can help you earn substantial passive income so you can defer your CPP payments until the markets recover.

Fortis has a fantastic dividend streak, it offers an indispensable service, and it is historically a reliable stock through challenging economic times. I think Fortis could be a viable option to consider when you start building your secondary retirement income portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/06/29
Date Created
2020/03/17
Author
adamothman