Retiring Soon? Should You Take Your CPP Pension at 60 or 65?

Description

Deciding to retire is tough and inescapable. But most often, the step is more financial than psychological. No one wants to enter retirement with financial uncertainty. Should you take your Canada Pension Plan (CPP) at age 60 or 65?

The earlier you get hard-wired about retirement, the better you can prepare to secure your financial future. For the CPP, you have two options. You can draw the benefits as early as 60 or delay it as late as 70.

A factor to consider

Life expectancy is a major factor to consider when planning for retirement. Data from Statistics Canada reveals the average life expectancy for both genders. The age is 80 for men and 84 for women. However, Statistics Canada also predicts that over the next 15 years, the average life expectancy age could lengthen by two years.

Financial considerations

By drawing your CPP as early as age 60, you'll be reducing your benefit by 0.6% for each month before 65. By delaying it until age 70, you'll be boosting your CPP benefit by 0.7% every month after 65. Your health comes into play in this situation.

If you feel you're strong as a bull and will be available to collect the CPP into your 80s, waiting until age 70 is beneficial. Delaying the CPP is a risk if you're not in the pink of health or you have an urgent need for financial sustenance. It makes good financial sense to withdraw early if you fall into one category or both.

Others, however, take the CPP early because they're less confident about the stability of the pension plan. The current pandemic raises the important question of whether the CPP can live up to its promise of securing the retirement of CPP users.

Back-up source of retirement income

Besides the health factor, you should have cash flow from other sources during retirement. You might be facing a financial crisis if you will rely on the CPP and Old Age Security (OAS) alone.

There's a lot of uncertainty for retirees as well as the younger generations because of the coronavirus outbreak. Still, owning blue-chip stocks like **Bank of Montreal** (TSX:BMO)(NYSE:BMO), even in a market downturn, is advantageous in the long term.

This $35.97 billion bank is a survivor of market crashes and recessions. Year to date, BMO's loss is 43.5%. The stock price has gone down to $56.24 as of this writing. Bargain hunters would find the depressed price as a buying opportunity. The dividend yield has gone up to 7.73%.

BMO was also the first ever to pay dividends in Canada. The first payout was 191 years ago. In the wake of the current health crisis, this preeminent dividend payer has a financial relief program for clients affected by COVID-19. A big financial institution that has withstood the test of time is the ideal investment option for retirees.

Fill the gap

The decision to take the CPP early or late depends on your specific financial situation. What is important is that you can fill the gap between the financial need and the money you will receive in retirement.

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