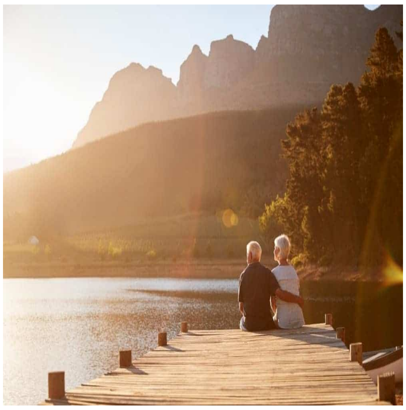

CPP Pension Users: Why You Should NOT Take Your CPP at Age 65

Description

Life as we knew it in 2019 is gone because of COVID-19. The pandemic brought about the worst global health crisis and gave rise to financial anxiety. People are rethinking plans, including retirement. If you're nearing 60 years old, retirement is on the horizon.

Canada Pension Plan (CPP) users usually retire at 65, which is the standard retirement age. Early retirement is out of the question given the current situation, and unless you have a massive fortune or inheritance. The practical option is not to take your CPP early at 60 or even at age 65.

The positive

You have the option to receive the CPP once you turn 60 years old. But you have to remember that for every year you contribute, your CPP increases. If you're itching to retire and decide to start receiving pension earlier than 65, the payout reduces by 7.2% for every year earlier you withdraw.

On the contrary, you can expect to collect more retirement money if you wait or delay your CPP until age 70. The trade-off for drawing late is that you enhance your CPP by 8.4% per year. This option makes good financial sense, because you'll have more income in your later years.

The obstacles

Would-be retirees expecting to have an above-average life expectancy should be open to delaying the CPP. It presupposes that you're healthy as a bull. But for those with poor health conditions, starting early at reduced CPP payments is acceptable.

CPP users with an urgent need for cash or have limited savings, and no other sources of income will bite the bullet. Hence, a shorter lifespan due to poor health and the need for cash flow are the two obstacles to receiving the CPP later than early.

The CPP is lifetime financial support for Canadian retirees. However, this government pension replaces only about 33% of your pre-retirement income. Even if you combine the CPP with the Old Age Security benefit, living on both alone might put you in a fix during retirement.

Other income sources

Retirement planners suggest that if you have savings or money to spare, invest in assets that will generate a steady income stream for years. The market is extremely volatile today, but there are still excellent choices around. The resiliency and financial strength of **National Bank** (TSX:NA) are on full display in 2020.

The sixth-largest bank in Canada has been relieving the pressure of thousands of Canadians. National Bank has so far extended 3,000 moratoriums on principal repayment for up to six months.

Small businesses are also receiving financial boosts from the bank. About $800 million in interest-free loans were made available to 20,000 business owners. From an investment perspective, this bank is a safe bet to park your money. As of this writing, the stock price is $55.50, while the dividend yield is 5.12%.

You can wait for May 26, 2020, to find out the financial condition of National Bank. The bank will be releasing its second-quarter 2020 earnings report.

Best option

Retirement decisions depend on your circumstance. But if there are no obstacles, delaying your CPP is a financially sound option.

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