Retirees: Use These 3 Easy Tricks to Maximize Your CPP Pension

Description

In a world where retirement savings have been decimated and many dividend stocks have either cut or suspended their payouts, many people are grateful their CPP pension is still in good shape.

There's just one problem. Unless you've been consistently employed and making solid money throughout your working career, chances are your CPP pension comes up a little short. The maximum payment is approximately $1,200 per month if you take your pension at age 65. The average payment is much less, checking in at $679 per month in 2019.

Even if both you and your spouse end up with the average payment, that's likely not enough to retire on. Sure, you'll also receive OAS payments, but those max out at $613 per month.

Combine average CPP pension payments with maximum OAS payments for both you and your spouse and we're looking at a monthly family income of approximately $2,500. That's not bad, but it's far from ideal.

Fortunately, there are a few steps you can take to maximize your CPP pension. Let's take a closer look.

Wait until age 70

One small decision can increase your CPP pension income substantially. You'll end up with more than 40% higher CPP pension payments if you retire at age 70 versus age 65.

The contrast is even bleaker if we compare taking CPP at age 60 versus age 70. If you start withdrawing from the pension plan at age 60, your maximum monthly payment would be approximately $740. The maximum if you wait a decade would be $1,669.

That's right. The simple decision to delay taking your CPP pension until age 70 could translate into nearly $1,000 per month of extra income.

Move to a cheaper place

Moving to an inexpensive city won't increase your CPP pension, but it will ensure your limited income goes even further.

Let's look at an Alberta-centric example. The average home in Calgary costs a little more than $410,000. But if you go a couple hours south down to Lethbridge, the average price decreases to less than $300,000. Folks who move into a condo can save even more; the average condo price is just a hair over $225,000.

The difference is even more pronounced if you move from a place like Toronto or Vancouver. Remember, home equity is kind of a crummy asset. It's best to put that to work for you.

Invest in dividend stocks

Canada's best dividend stocks can help turn even a small nest egg into enough income to supplement CPP pension payments.

Say you have $250,000 to invest, which the naysayers will argue isn't nearly enough for a secure retirement. But at a 6% yield that'll generate $15,000 in annual income, which will top up your CPP pension nicely.

There's only one issue. Where do you get a 6% yield?

One way to do so is to own one of Canada's top stocks. **BCE Inc.** (TSX:BCE)(NYSE:BCE) offers a 6.1% dividend yield today, a payout that has slowly risen over time. This dividend is a major reason why thousands of Canadian retirees already own this stock.

BCE is firmly entrenched as Canada's top telecom stock. It has nearly 10 million wireless customers, 3.5 million internet customers, 2.8 million television subscribers, and even more than 2.5 million home phone users.

It also owns some of Canada's top television channels, a smattering of leading radio stations, video streaming service Crave, and parts of top sports franchises including the Toronto Maple Leafs, Toronto Raptors, and Montreal Canadiens.

The company is also investing heavily into new 5G technology, ultra-fast wireless internet that will power the next generation of connected devices. The internet won't just be used for human communication; machines talking to each other will be a major growth initiative.

BCE has raised its dividend each year since 2009 with the payout increasing 128% between 2009 and 2020. Yes, the business will be impacted by COVID-19, but ultimately the virus won't have much impact. After all, the last thing people trapped at home want to cut is the internet.

The bottom line

Boosting your CPP pension doesn't have to be hard. To maximize your earning power, you can delay taking your pension, move to a cheaper place, or invest in quality dividend payers like BCE. It really is that simple.

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