CPP Pension Users: Should You Take Your CPP at 60 or 70?

Description

When it comes to retirement, one of the major questions that haunt Canadians is, at what age do you start receiving the Canada Pension Plan (CPP) payments? While the typical age to start CPP payouts is 65, Canadians have the option to start receiving the payments as early as age 60 or delay payments until the age of 70.

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If you start CPP payments early, you will lose 7.2% per year, which might lower your payouts by 36% for early pensioners. But for every month you defer payments, you will gain 0.7% per month of 8.4% per year. So, your CPP payments can increase by 42% if you start the CPP pension at 70.

The maximum annual CPP payment for a 65-year-old in 2020 is $14,109.96. This amount will rise to $20,036.14 for an individual staring pension at 70. We can see that delaying CPP payments may have a significant impact on your retirement income.

There are a lot of factors that need to be considered, including your finances, taxes, health, and life expectancy if you want to withdraw your CPP. The CPP is taxable. So, if you are still working, then delaying the pension makes perfect sense.

Alternatively, if you are retired and need the extra income, you can look at withdrawing the pension at an earlier age. However, Canada's life expectancy is around 82 years, so you would want to delay the payout and benefit from a larger monthly pension. There are some benefits to delay your CPP pension.

Supplement your CPP by investing in dividend-paying stocks

The primary goal should be to pocket as much as you can over the long term without having to pay taxes to the CRA (Canada Revenue Agency). You would also want to ensure a comfortable retirement life and not just depend on the CPP pension payouts during retirement.

One way to supplement your CPP payouts is by investing in quality dividend-paying stocks such as **Capital Power** (TSX:CPX). Capital Power owns 6,400 megawatts (MW) of power-generation capacity at 28 North American facilities. It has a strong pipeline of contracted growth opportunities in addition to a young fleet with long asset lives.

Capital Power has increased sales from $1.14 billion in 2017 to $1.96 billion in 2019. In the first quarter, company sales rose 34% to $533 million, while EBITDA rose 16% to $234 million.

The company declared a quarterly dividend of $0.48 in Q1, up from $0.4475 in the prior-year period. This mid-cap utility stock has a dividend yield of 6.82%. This means if you invest $100,000 in Capital Power, you can generate $6,820 in annual dividend payments.

Capital Power aims to increase dividends by 7% in 2020 and 2021, while dividend growth is forecast at 5% for 2022. Investing in a quality dividend-growth company will help investors generate a recurring income stream and benefit from capital appreciation as well.

Capital Power stock has returned 30.6% in the last five years. This stock is just an example of a top-notch dividend-paying company. Investors need to identify similar stocks to diversify their portfolio and supplement their pension payments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)

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