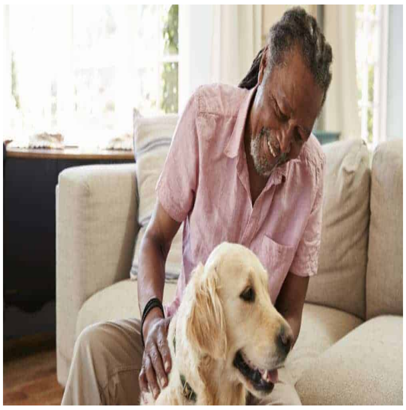

CPP Pension Users: Here’s an Easy Way to Get 42% More Payments

Description

COVID-19 is sidetracking short- and long-term objectives of future retirees. Canada Pension Plan (CPP) users in particular have misgivings about their retirement readiness due to the pandemic. To a great extent, many rely on the CPP payments for sustenance in the golden years.

Today, the prevailing mood is to move the retirement schedule to a later date. For people who did not save enough, receiving higher CPP payments will make a material difference in economic well-being. Fortunately, when there’s a will, there’s a way. You can get 42% more in pension payments if you have the determination to retire after 65.

Incentive to wait

About 95% of CPP users claim the payment at 65, although you can take it earlier at 60 if you have poor health, a shortened life expectancy, or urgent financial need. While it’s a rational decision, payments reduce by 36% (0.6% for every month before 65) permanently.

If you follow the herd, the average monthly CPP payment at age 65 is $672.87. Add your Old Age Security (OAS) maximum benefit, and you will receive a total of $1,286.40 monthly for life. But there’s an incentive for the patient pensioners.

Electing to defer the CPP until 70 is the practical move and an inexpensive way to bump up the payments. By doing so, it will increase by 42%, or 0.7% for every month before 70. It would be easy for healthy pensioners to take advantage of the incentive.

The harder step follows, which is to keep your financial health in tip-top shape throughout your retirement years. You need to assess your income sources carefully, or the harsh realities of retirement will blindside you.

No regrets

When you take the retirement exit, there shouldn't be any regrets. Transamerica Center for Retirement Studies came out with a study in 2018. The results show that 73% of retirees wish they'd set aside more money consistently. About 50% waited too long to get serious about retirement planning.

Typically, building a nest egg begins as early as 25 years old. It won't require an optimal amount. Even at $25 a week, you can have a sizeable retirement fund by the time you reach 65 or 70. Invest the money as you go along and allow it to compound.

You can fill the CPP's inadequacy by owning shares of **Bank of Montreal** (TSX:BMO)(NYSE:BMO). This investor-friendly bank stock has a dividend track record of 191 years. Assuming you have savings of $50,000 to invest, the quarterly income is $713.75. Given its current dividend yield of 5.71%, your money will grow to $200,388.05 in 25 years.

BMO is the logical choice of income-seeking retirees. The dividends are safe, and the fourth-largest bank in Canada will keep the cash flow coming in the face of recessions or as long as you need them.

Life transition

Don't take the plunge if you're not ready for a major life transition. You will find yourself in a tight financial situation if you were to depend on your CPP alone. Start creating retirement wealth with BMO while taking your sweet time waiting for higher CPP payouts. Two ways are better than one.

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