



CPP Pension Users: Start Your CPP at 60, 65, or 70?

Description

COVID-19 is the bummer in 2020, mainly to soon-to-be retirees. The health and financial crisis make it doubly hard to firm up retirement decisions. An early retirement is no longer an option unless you have a cash stockpile that can last a lifetime.

For the average Canadian contributing to the Canada Pension Plan (CPP), picking three options to draw the pension is agonizing. Any [miscalculation](#) could lead to financial dislocation in the sunset years. You also hear stories from current retirees that the CPP is only the foundation, and the payments aren't enough to survive in retirement.

If you're approaching retirement and banking on your CPP, assess when it's best to start the payments. Will it be advantageous to receive the pension at 60, 65, or 70? There are various reasons why CPP users choose one age over the other. But mostly, it depends on [specific circumstances](#).

First option – 65

Based on actuarial studies, the CPP pegs the "standard" retirement age at 65. On average, the monthly payment is \$672.87, nothing more and nothing less. Thus, annually, you would be receiving roughly \$8,074.44.

At 65 years old, you're eligible for the Old Age Security (OAS). If you elect to claim your CPP and OAS simultaneously, the monthly pension payment bumps up to \$1,286.40 or \$15,436.80 yearly. Not bad, considering an additional 91% to the CPP.

Second option – 60

A CPP pensioner can request to start payments as early as 60. This option is okay because you have a head start. However, you should consider the drawback. Your CPP reduces by 7.2% per year before 65, which translates to a 36% permanent decrease. Usually, the second option is for retirees with health problems or urgent financial needs.

Third option – 70

Barring any health concerns or pressing need for money, claiming your CPP at 70 gives the most significant financial advantage. You're availing of the incentive if you pick the third option. Deferring your CPP until 70 increases the payment by 8.4% per year after age 65. Overall, it improves your CPP by 42% permanently.

Retirees' best option

Regardless of choice, your decision is half-baked because the CPP replaces only 33% of the average pre-retirement income. Aside from the CPP (and OAS), you need other income sources to enjoy a comfortable standard of living in retirement. I would say **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is the best asset for retirees given the current environment.

Telecommunication and Internet services are in demand 24X7. Nearly everyone needs them, whether for personal matters or business dealings. If you want exposure to the telco industry, your number one option should be the largest telecom in Canada. The market capitalization of BCE stands at \$51.8 billion, followed by **Telus** and **Rogers Communications**.

With \$137,500 capital and BCE's 5.87% dividend, you match the \$672.87 monthly CPP payment at age 65. The potential for capital appreciation is also high as the next technological revolution begins via the fifth generation telecommunications.

So if you're due to retire, save as much and start investing in BCE. The top 5G stock in Canada is a dream investment.

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