Should You Start Your CPP Pension At 65 or 70?

Description

Retirement timing has become essential due to the 2020 COVID-19 pandemic. The Canada Pension Plan (CPP) users, in particular, are paying more attention to the target date or relative point at which they will claim the pension. The CPP actuarial model pegs the standard retirement age at 65.

Would-be retirees often ask if it's wise to take the CPP when available or wiser to wait five more years. It will all depend on an individual's circumstances. However, it's worth studying the options when you're approaching the retirement zone.

The maximum CPP monthly payment for 2020 is $1,175.83. However, most Canadians do not qualify to receive the full amount. You should have contributed enough for 39 years or 83% of 47 working years (from 18 to 65). Since the average monthly payout is far less, your choices are only two – take the CPP at 65 or 70.

Typical claim at 65

If you decide to take your CPP at 65 or the usual option, the monthly payment is $672.87, more or less. The amount is considerably less than the desired maximum. You can get a CPP statement of contributions to see your period of contributions.

Your pension bumps up by $613.53 monthly if you claim your Old Age Security (OAS) simultaneously. Hence, you'll receive a combined CPP and OAS monthly pension of $1,286.40 for life.

Delay incentive at 70

Retirees with no health issues can take advantage of the CPP deferral incentive. You can do the same to receive a higher monthly payment. Delaying to claim your CPP until 70 increases the payout by 8.4% for every year after 65. Effectively, you gain a 42% permanent financial advantage with the delay option.

Retiree's buffer

The CPP, along with the OAS, are the backbones of Canada's retirement system, but it will not answer all your financial needs in retirement. Having other income sources to supplement your pensions will ensure a comfortable lifestyle in the sunset years. **Enbridge** (TSX:ENB)(NYSE:ENB), a top-tier dividend stock, should give you financial security.

Enbridge has been supporting Canadian retirees with investment income over the last 25 years. This $83.52 billion energy infrastructure titan pays a hefty dividend of 7.86% dividend. If you can afford to invest $50,000 today, your dividend earning is $3,930. In 25 years, your capital will balloon to $331,497.61.

Issues with its vast pipeline network are perennial threats, although Enbridge's revenue streams are diversified. Furthermore, cash flows are stable, given the long-term contractual arrangements with investment-grade customers.

North America relies on Enbridge to transport 25% and 20% of its oil and gas requirements. Also, its offshore wind farms deliver renewable energy in Europe. The company is not an oil producer, so the business is invulnerable to volume and price fluctuations.

Pick what's best for you

As mentioned above, your decision to take the CPP at 65 or 70 depends on your circumstance. However, if you have substantial investment income to back up your pensions, you can claim your CPP earlier at 60.

While you'll have more years of retirement income, the drawback is a 36% permanent monthly payment reduction.

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Date
2025/07/03
Date Created
2020/09/11
Author
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