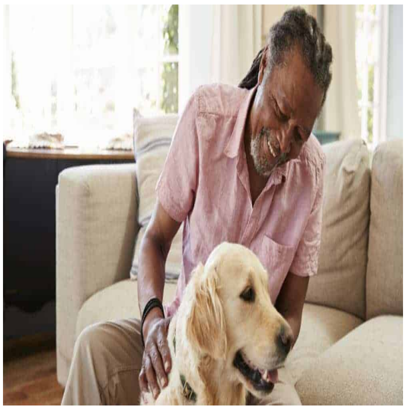

The Best Reason to Take CPP Long Before Age 70

Description

If you're nearing retirement age, you've probably heard the common advice, "wait as long as possible to take CPP." The longer you wait to take CPP, the greater your annual payouts, so, in theory, this makes sense.

However, it is far from a "catch-all" principle that applies to everyone. There are actually some scenarios where it makes sense to take CPP earlier rather than later. In this article, I'll be exploring one of the most common ones.

Having a reduced life expectancy

Not everybody lives the same length of time. If you have good reason to believe that you won't live much longer than 70, then it may make sense to take CPP early. While the average Canadian lives to about 82 years, not all Canadians do. There are many reasons why you could end up living shorter than the national average; for example, having a terminal illness or working in a high-risk profession. If either of these "predictable" mortality factors apply to you, you may want to take CPP early.

Why it makes sense to take CPP early in this scenario

There are several good reasons to take CPP early if you think you will live a shorter than average life. First and foremost is financial security in your remaining years. If you only expect to live to 70, then having CPP as a financial lifeline through your 60s can make a lot of sense, particularly if you don't have a lot of other income coming in.

A second good reason to take CPP early if you have reduced life expectancy is leaving money to your loved ones. By taking CPP payments early and saving them, you may be able to leave some money to your children or partner that you wouldn't otherwise be able to. CPP survivor's benefits can serve the same role, but they are usually reduced compared to the full benefit if the contributor had survived. Also, taking CPP and saving it lets you leave a lump sum if that's preferred.

How to boost your CPP

If you plan to take CPP early, there are several things you can do with the money. One of the wisest is to invest it. By doing this, you can grow the money and leave a nice nest egg to your spouse or children after you're gone.

Many people think that investing is risky, but it doesn't have to be. If you invest in bond funds like **BMO Mid-Term U.S. Investment Grade Corporate Bond ETF** (TSX:ZIC), your money should be pretty safe. Bonds have income priority over stocks, so their income is much more certain. For example, if a company had $5 in revenue and its only expense was interest, bondholders would get paid in full. In such a situation, shareholders wouldn't receive any dividends.

These features make bond funds attractive for retirees. If you look at ZIC, for example, it's built on U.S. corporate bonds, which provide much better returns than GICs. Yet they're also far safer than stocks. According to **BMO**, ZIC yields 3.39%. That's a good return for bonds; in fact, it beats inflation most years! This makes ZIC a solid investment for retirees who want to grow their money without excessive risk.

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