



## Retirees: 1 Easy Way to Boost Your CPP Payments

### Description

Canadian retirees would like nothing more than to receive higher retirement income. The Canada Pension Plan (CPP), a contributory, earnings-related social insurance program, is just one income source. The pension is for life, but there's one way to boost the payments if you want more.

The default age to claim your CPP is 65, although you can start payments as early as 60. However, the amount will decrease rather than increase with the early option. From a [cash flow perspective](#), your best alternative is to consider deferring and wait five years more after 65.

Your decision to collect at a later date guarantees a permanent increase in CPP payments. Besides a higher monthly pension, you'll derive more advantages with the strategy.

### Get 42% more

The incentive when electing to start payments at age 70 is a 42% increase in your CPP pension. Assess your situation past 65 carefully because you don't want to pass up on the 8.4% increase for each year you delay taking your CPP. Also, the pension plan offers no incentive anymore after age 70.

To illustrate, the average monthly CPP for June 2020 is \$710.41 if you're 65 and claiming today. Your annual pension would amount to \$8,524.92. With your decision to defer, the benefit balloons to \$12,105.39 when you claim at 70. The additional \$3,580.47 annually is a significant boost, indeed.

### Minimize your tax payables

The collision of taxes and the Old Age Security (OAS) clawback is inevitable when all your retirement income streams lump together in a given year. Many CPP users [avoid the notorious 15% recovery tax](#) by delaying both the CPP and OAS payments.

## Mitigate the longevity risk

Retirees dread outliving their funds or money the most. If you have the same fear, postponing your CPP offers a cheap and safe approach to receive greater, secure retirement income. Likewise, it's the upside of waiting if longer life expectancy is a consideration.

Given the current low interest rate environment and general population longevity expectations in Canada, delaying CPP payments is a clear financial advantage if you don't have health issues whatsoever.

## Attractive income source

**TELUS** ([TSX:T](#))([NYSE:TU](#)) is an attractive income source for baby boomers or would-be retirees. The second-largest telecom in Canada pays a hefty 4.87% dividend. A \$248,500 investment in the telco stock will produce an equivalent amount of CPP monthly pension at age 70.

While building a substantial nest egg takes time, it's achievable. You can start with a small capital then gradually build up your position in TELUS. The value of your investment will compound over time, especially if you keep re-investing the dividends and refrain from touching the capital.

TELUS is highly recommended because the business model is recession-proof. The demand for telecommunication and Internet services is ever-increasing. Expect the \$32.98 billion company to continue generating billions of dollars in revenue. The stable cash flows can sustain the payouts for years.

## Higher pension-like income

Even if the delay option can boost the CPP pension by 42%, Canadians on the cusp of retirement are responsible for building their nest eggs. The CPP pension serves as the foundation, but not the bulk of your income source. If you want your finances to last the distance, invest in a reliable income provider. TELUS can deliver higher pension-like income.

### CATEGORY

1. Dividend Stocks
2. Investing

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