



Canada Pension Plan: Is 60, 65, or 70 the Best Age to Start Payments?

Description

The month following their 65th birthday is when most Canadians usually claim their Canada Pension Plan (CPP). Some start payments as soon as the pension becomes available or at age 60. Others who are still working at 65 can delay their CPP by five more years or until 70.

CPP pension users have three options to choose from, given the flexibility of the country's contributory, earnings-related social insurance program. However, firming up the retirement decision isn't easy as it seems. You must evaluate your circumstances first to determine the [best age to start CPP payments](#).

Standard CPP

If you're turning 65 soon and preparing to claim your CPP, the average monthly payment is \$689.17 (for new beneficiaries as of October 2020). You'll only receive a maximum of \$1,203.75 monthly if you have contributed for at least 39 years. Thus, on average, the present annual CPP for life is \$8,270.04.

Increased CPP

The incentive for delaying your CPP until 70 is a 42% permanent increase in pension payments. Instead of the average \$689.17, the monthly amount becomes \$978.62. This option increases your benefits by 8.4% per year or by 0.7% for every month after your 65th birthday. Hence, your annual guaranteed income in retirement is \$11,743.76.

Reduced CPP

A CPP pensioner would advance the payments from the standard age of 65 to maximize the total lifetime benefits. The breakeven point between the early and deferred options is 72. It's a practical decision too if you're not sure of living up to this age due to health reasons.

However, note that the CPP reduces by 0.6% for every month before your 65th birthday you start

taking your pension. The permanent decrease translates to 36% in total. Your annual lifetime income will be \$5,292.83, or \$2,977.21 and \$6,450.63 lower, respectively, than if you were to claim your CPP at 65 and 70.

Canadian retirees receive a pension supplement at 65 through the Old Age Security (OAS). If you're 65 and the OAS is due today, the maximum monthly benefit is \$615.37 (January to March 2021). The instant boost to your annual CPP is \$7,384.44. To receive higher payment, delay your OAS too until 65 for a 36% permanent increase.

Ensure future financial health

The sad part is that the pensions are partial replacements only to the average pre-retirement income. You need other income sources to [ensure future financial health](#). Save money and invest in assets that can generate pension-like income.

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a pure-play income dividend stock that's ideal for CPP pensioners. The largest telecommunications company in Canada pays a juicy 5.96% dividend. Assuming you have \$150,000 savings to invest, the annual dividend is \$8,940. In a 20-year investment horizon, the money will compound to \$477,452.59.

Investing in BCE is money in the bank. The \$50.43 billion telecom giant owns the largest network of data centres and retail outlets in Canada. About 22.37 million customers have access to BCE's industry-leading broadband communications services.

Since communications services and the internet are vital needs, you have a recession-resistant asset in your stock portfolio. BCE offers capital protection and the safety of dividends. You'd be worry-free in retirement.

Apply to receive CPP pension

Assess your situation before making a firm decision to start CPP payments. Once you've made up your mind, apply in advance to receive the pension, because payments are not automatic.

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Date

2025/07/06

Date Created

2021/01/21

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