CPP Pension Users: Should You Start Your Payments at 60 or 65?

Description

The day will come when Canada Pension Plan (CPP) users will have to firm up retirement decisions. Financial security is the primary goal of would-be retirees because you mustn't outlive your retirement savings. The CPP pension is guaranteed income for life, although the program is flexible as to payment options.

While life expectancy could be a deciding factor, sometimes it's practical not to wait for the standard retirement age or 65. Some CPP users claim the pension when it becomes available. You too can after one month after you turn 60. Between the two options, which is the better deal?

Standard claim

The CPP pegs the retirement age at 65. On average, the monthly pension is $689.17 per month (as of October 2020). Thus, expect an annual stipend of $8,270.04 for life. If you collect your 65 but would still work until 70, you're no longer required to contribute to the CPP.

Taking your CPP and OAS together at 65 makes sense. Your retirement income should bump up by $7,384.44 because you can also take the Old Age Security (OAS) benefits at 65. For 2021, the monthly OAS benefit is $615.37. However, you can consider delaying both until 70 if you're healthy and expect to live past the average life expectancy (82.66 years) in Canada.

Early claim

The early option has a pitfall, however. Your pension payment will reduce by 36% permanently, so it means there's less money in your pocket when you retire. The reduction is 7.2% per year before 65. If the average CPP annual pension at age 65 is $8,270.04, drawing your CPP at 60 results in a $2,977.21 haircut. Thus, you'll subsist on only $5,292,83 in retirement.

For CPP users with health issues or urgent financial needs, the early option is attractive, if not the most practical. Also, if you have other income sources to compensate for the permanent reduction, there shouldn't be a problem. Furthermore, you get a head start in enjoying a quality of life while you're best able.

Excellent income source

If you socked away money in the bank, let the money work for you. Use your savings to invest in reliable income providers like **Emera** (TSX:EMA). This utility stock pays an incredible 4.79% dividend. Your investment income can boost your retirement income and enable you to maintain your standard of living.

Emera is an excellent source of retirement income because it has a portfolio of regulated utilities. It means this $13.19 billion company will generate cash flows regardless of the market environment. Currently, Emera is shifting to a more regulated structure. Soon, 95% of future earnings will come from regulated operations.

Further, management plans to reallocate Emera's capital toward robust and fast-growing businesses. Investors can expect the rate-based growth of its portfolio to improve dramatically. Hence, market analysts forecast the price to appreciate by 28.1% to $68 in the next 12 months.

Start a comprehensive plan

Now that you have a snapshot of your CPP pension at 60 or 65, the next step is to look for ways to create other income. Retirement life would be harsh if you were to rely on your CPP (and OAS) alone. Current retirees lament not saving enough for retirement. Have the foresight and start a comprehensive retirement plan.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks

2. Investing

Date
2025/07/06
Date Created
2021/01/27
Author
cliew