CPP Pension Users: 3 Reasons NOT to Delay Payments Until 70

Description

The standard eligibility age to start Canada Pension Plan (CPP) payments is 65, although the pension allows early (60) and late (70) options. Recent [CPP reforms] include a seven-year enhancement program that will increase the current 25% replacement level. Once the phase-in is complete, the CPP will replace one-third of the average work earnings.

Some quarters suggest that 70 is the new 65, because life expectancy in Canada has increased since the CPP's introduction in 1966. For 2021, life expectancy increased by 0.18% to 82.66 years. While starting payments at 70 offers a 42% permanent increase in benefits, not everyone favours late retirement.

Usually, the take-up decision depends on an individual's financial situation and circumstance. However, many would still claim early or when the pension becomes available. There are both pressing and practical reasons why it makes perfect sense not the delay your CPP.

1. Health consideration

Claiming the CPP early works best for soon-to-be pensioners with declining health due to some ailment or physical disorder. Why wait longer to collect when you're unable to enjoy the pension in the later years because of poor health conditions? Besides, you'll collect 10 years longer than someone deferring payments until 70.

2. Urgent financial need

The average monthly CPP payout is $689.17 (as of October 2020), which means it's the basic pension most 65-year-old users will receive in 2021. However, claiming early at 60 results in a 36% permanent reduction.

Thus, instead of $8,270.04, the annual lifetime income reduces to $5,292.83. But if you need a recurring income stream due to financial constraints, it's the most practical thing to do. You have to bite the bullet and wait for the Old Age Security (OAS) benefits at 65 to bump your retirement income.

3. Enjoy retirement life more

Assuming there's no health or financial issues, you have more time to enjoy retirement than waiting for the CPP at 70. Expenses are higher for 60- or 65-year-old retirees because most relate to fulfilling bucket lists like travel and dream vacations. Older people might not have the desire or ability to enjoy the money anymore.

More financial cushion in retirement

Dividend investing is a straightforward strategy to create more financial cushion in the future. A fast-growing renewable energy company with a long-term portfolio of contracted wind, solar, and hydroelectric assets is an attractive pick for long-term investors. **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) can be your partner in wealth building.

The $12.88 billion clean energy firm from Oakville, Canada, pays a decent 3.68% dividend. At this current yield, a $144,000 position in Algonquin will generate $5,299.20 in passive income. The amount is equivalent to the yearly CPP pension if you were to start payments at 60.

Algonquin's utility business is enduring. It has more than 50 power-generation facilities and 20 utilities in North America. The company's 100 miles of natural gas transmission pipelines and 1,200 miles of electrical transmission lines serve nearly 770,000 end-users in 12 U.S. states. At $21.58 per share, you get more than your money's worth.

Financial dislocation is not an option

As mentioned earlier, the CPP will replace one-third of the average work earnings at best. Prospective retirees need to supplement the pension, one way or the other, to avoid financial dislocation. If you have savings, let the money work and start building a nest egg.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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
2025/07/05
Date Created
2021/02/05
Author
cliew