



## CPP Pension User: What's the Best Age to Start Your CPP in 2021?

### Description

Canada Pension Plan (CPP) users look forward to receiving the pension in retirement, although many grapple with the take-up age. While the actual benefit amount is important, the decision of some is not all about the math. It's good the CPP is flexible, because would-be retirees can start payments at different ages.

The basic pension is at age 65, but you can choose the early or delay option. However, there are [permanent adjustments](#), whether reduction or increase, before and after age 65. Read on to see which option aligns with your goals and lifestyle when you retire.

### Standard pension at 60

Assuming you're 65 and claiming the CPP today, expect to receive \$689.17 per month, which is the average for new beneficiaries as of October 2020. Hence, the average annual lifetime pension is \$8,270.04. The maximum is \$1,203.75 monthly, but only if you have contributed at least 39 years out of the estimated total of 47 working years.

### Reduced pension at 60

If you're itching to retire when the CPP is available at age 60, the monthly pension reduces. The reduction is 0.6% for every month before 65 (7.2% per year) or a permanent 36% decrease overall. It's a [practical decision](#), especially for users with health issues or urgent financial needs.

From a cash flow standpoint, you stand to lose \$2,977.21 annually than if you were to start payments at 65. It's a significant trade-off if you want a head start and have more years to enjoy retirement and spend your money.

### Increased pension at 70

A financial incentive kicks in if you delay your CPP until 70. Those who opt to start payments five years past 65 receives a reward. The pension amount increases by 0.7% per month for every month after 65 (8.4% per year) or a permanent 42% increase overall. In the delay option, your annual CPP is \$11,743.76.

## Supplement your CPP

Note that the CPP replaces only 25% (33.3% when enhancements are complete) of the average pre-retirement income. Soon-to-be pensioners must have other income sources to ensure a worry-free and comfortable retirement.

If you have savings, start building a nest egg for future use. Among the right choices is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), a fast-growing renewable energy company from Oakville, Canada. The \$13.35 billion firm operates a portfolio of regulated and non-regulated generation, distribution, and transmission utility assets in the home country and across the border.

At less than \$25 per share, Algonquin Power pays a 3.51% dividend. Theoretically, you would need \$235,800 shares of the utility stock to generate the equivalent amount of CPP at age 65. With more than 50 power-generation facilities and 20 utilities in North America, Algonquin is the ideal partner for wealth builders.

## Breakeven age

Some CPP users are curious about the breakeven age. In the early option or reduced pension, by age 74, you will have received the same accumulated benefits as you would have had you started payments at 65. The breakeven age is approximately 82 if you take your CPP at 65 compared to 70. Assess your retirement expenses before making a firm decision to know what's best in your circumstance.

Regardless of your choice, the Old Age Security (OAS) at 65 plus investment income from other sources like Algonquin Power should boost your guaranteed income for life.

### CATEGORY

1. Dividend Stocks
2. Investing

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