



## CRA: When Is the Best Age to Take the CPP — 60 or 65?

### Description

Should Canada Pension Plan (CPP) users start payments when the pension becomes available at 60 or wait until 65 to receive the basic CPP benefits? To delay or not the CPP is a delicate issue for most soon-to-be retirees. The [timing decision](#) doesn't matter if the senior has amassed substantial retirement savings to cover retirement expenses, with or without the CPP pension.

Users can start CPP payments as early as 60 and not wait for their 65th birthday. However, those with minimal or zero savings have to evaluate their options because of financial consequences carefully.

A report commissioned by the Canadian Institute of Actuaries and the Society of Actuaries shows that more than 95% of Canadians have taken CPP payments at age 65 or earlier. But between the two choices, which is the best option?

### Basic pension

An individual CPP user starting payments at 65 could receive a maximum of \$1,203.75 per month as of 2021. However, you should have contributed enough and at least 39 years to receive the full benefit. If you did not, you could expect to receive the average pension of \$689.17 (October 2020).

At 65, the Old Age Security (OAS) is also available. For 2021, the maximum monthly benefit is \$615.37. Thus, your guaranteed monthly income for life is \$1,304.54 or \$15,654.48 annually — no more and no less.

### Early take-up

Because the CPP is a flexible retirement program, a user can choose to start payments at age 60. Unfortunately, the early take-up is also the [reduced pension option](#). You'll receive 0.6% less in CPP for every month (7.2% per year) before age 65. The permanent reduction is 36% overall for the five years.

Thus, your annual CPP pension reduces to \$482.82 per month, or \$5,789.03 per annum. Also, the

OAS benefit is available only to seniors 65 years old and older. However, if you need income support sooner or expect to live shorter due to health issues, the early take-up is a practical option.

## Don't count too much on your CPP

Retirement experts advise Canadians to not count too much on the CPP, as the only income source in retirement. The pension is a partial replacement (25%) of the average pre-retirement income. You might teeter on financial dislocation if you don't have other income sources.

The best remedy to cure the shortfall is to use savings to invest and build a recurring income stream. Today's attractive income stock is **Telus** ([TSX:T](#))([NYSE:TU](#)). This telco stock pays a respectable 4.64% dividend with a strong potential for capital gain in the near term. With the core telco business, Telus Health, and Telus International, the dividend payouts are sustainable for years.

If you own \$167,500 worth of Telus shares, the annual dividend of \$8,274.50 is commensurate to the annual CPP pension at 65. Add the OAS pension, and your yearly retirement income swells to \$23,928.28. You can accumulate shares through the years if you don't have enough funds. Keep reinvesting the dividends for the compounding effect or acceleration of profits.

## Expenses versus income

When you get close to retiring, do an honest assessment of your estimated retirement expenses. Align them with your circumstance and income sources. You will know which option fits you best.

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