CPP Pension Users: Start CPP Payments and Work at the Same Time!

Description

Canadian retirees fear shrinking the nest eggs, that many of them consider coming out of retirement to rejoin the workforce. The reason for most is that the Canada Pension Plan (CPP) isn't enough to take care of their financial needs. Fortunately, CPP users can address the dilemma because they can receive a pension while working.

Work while collecting your CPP

There are guidelines to follow if CPP users opt to continue working while collecting their CPP pensions. CPP contributions are **mandatory** for CPP recipients under age 65. Thus, those between the ages of 60 and 65 must continue their CPP contributions to ensure the benefits are higher when they eventually quit working.

Older Canadians between 65 and 70 can choose not to contribute to the CPP anymore. However, if you want to keep contributing, your employer will have to make contributions also. Self-employed individuals will have to contribute both the employee and employer portions.

Post-retirement benefits

Canadians under age 70 who are working and receiving the CPP can elect to remain part of the pension program. Your contributions will go toward the CPP's post-retirement benefit (PRB), which will increase your retirement income.

PRB is a lifetime monthly benefit and available for employees working in Canada outside Quebec while receiving CPP or QPP retirement pension. However, employees who revoke the decision to contribute further must complete form CPT30 (Election to stop CPP contributions or revocation of prior election) and send it to the Canada Revenue Agency (CRA) as soon as possible.

In case you change your mind and opt to contribute again, complete section D of Form CPT30 first and submit it to the CRA promptly. Note that the CRA allows one change per calendar year only. Like the

CPP, PRB benefits depend on income, contribution amount, and start date of payments.

The maximum PRB for one year is equivalent to 1/40th of the maximum CPP retirement pension. However, the amount is proportional to your contributions. If you contribute less than the maximum contribution level, you'll receive less PRB benefit.

Boost your retirement income

If you have savings or free cash for investment purposes, boost your CPP or PRB with investment income to ensure a financially healthy retirement life. The **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) or Scotiabank is a rock-solid choice. Canada's third-largest bank boasts of a 188-year dividend track record.

You can purchase shares of Scotiabank at less than $100 today ($78.05 per share). The dividend yield is 4.58%. A $200,000 investment will generate $2,290 in quarterly income. If you don't touch the principal and keep reinvesting the dividends, your capital will compound to $612,697.25 in 25 years.

Scotiabank's total return over the last 20 years is 792.86% (11.56% CAGR). Despite the industry headwinds and resurgence of COVID-19 cases, the bank stock is up nearly 15% year to date. Market analysts also forecast the stock price to climb 21.7% to $95 in the next 12 months.

It would help if you had a separate wellspring besides the pension to secure your financial well-being in retirement. Your CPP or PRB pensions are partial replacements of the average pre-retirement income.

Meticulous planning

A 2014 Statistics Canada study shows that 44% of Canadians who took the retirement exit between age 60 and 64 returned to work within a decade. However, making the retirement decision in the pandemic era requires meticulous planning.

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