3 Reasons to Take Your CPP at Age 60

Description

Many Canada Pension Plan (CPP) users will not toy with the idea of taking their pensions at age 60. Their logic is understandable, because of a disincentive. The benefit amount reduces by 7.2% per month before age 65, or 36% overall for the five-year advance.

Healthier Canadians would rather wait until 70 to boost their CPP by 42% (8.4% per year month before age 70). The fear of most is living on restricted income, since life expectancy has increased by 0.18% from 2020 to 82.66 years in 2021. Thus, it makes good financial sense to wait, as you'd need more if the sunset years are longer than before.

Anyhow, starting CPP payments ahead of the neutral territory or at age 65 isn't entirely a setback. There are instances when taking the early option is more practical, if not clever.

1. Health concerns

The early option is practical for CPP users with serious health conditions that can shorten their lives. However, if you don't expect to live the whole nine yards in retirement or 25 years, you don't need to play the averages or even consider the advantages of the delay option.

2. Need for sufficient resources

Financial situations may differ per individual. For example, if you turned 60 and quit working, you need a paycheck replacement to cover bills or make ends meet. The CPP is your instant solution, although it's only equivalent to 25% of the average pre-retirement income.

Since not everyone contributes the maximum, the average monthly CPP at 65 is $736.58 (as of January 31, 2021). However, claiming at 60 brings it down to $471.41, or $5,656.93 per year.

3. Sure of GIS eligibility

When you reach 65, Old Age Security (OAS) kicks in and should boost your lifetime retirement income. If the maximum monthly OAS is $618.45 (June 2021), then your annual pensions bump up to $13,078.33, including the CPP.

The early option favours retirees who are sure about their eligibility for Guaranteed Income Supplement (GIS) at 65. The GIS is non-taxable and available to low-income OAS pensioners. Also, the OAS has no impact on your GIS settlement.

Some retirees took the CPP at 60 not due to the above reasons but because they have other income sources in retirement. You too can have the confidence to take the retirement exit ahead of most. Save, invest, and build retirement wealth early in your working life.

Fertile investment ground

Today, the stock market is a fertile investment ground. Invest while the TSX keeps posting record highs. Among the excellent choices is **TC Energy** (TSX:TRP)(NYSE:TRP). The Dividend Aristocrat outperforms the TSX (+24.53% versus +14.89) year to date and pays a high 5.48% dividend.

The business of this $62.18 billion energy infrastructure company is vital in North America. TC Energy transports more than 25% of the region's daily natural gas consumption. There's cash flow visibility, given the low-risk business model and long?term contracts with investment-grade counterparties.

TC Energy expects EBITDA to grow at a rate of 8% CAGR through 2024. Furthermore, it has raised its dividends for 21 consecutive years. This year, management targets an average annual rate increase of 8-10%.

One of three take-up options

The CPP is flexible such that the early option is just one of three options. However, the final decision depends on personal circumstances, financial situation, and desired lifestyle in retirement.

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