# Retirees: Here's 1 Awesome Trick to Boost Your CPP Pension

### Description

The Canada Pension Plan (CPP) is a retirement benefit available to the plan's contributors. When a user retires, there's income security for life, although the amount replaces only 25% of the average pre-retirement earnings. CPP enhancements began in 2019, and when phased-in by 2025, the replacement level will increase to 33%.

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Currently, the CPP standard retirement age is 65, or where the regular rate starts. The maximum payment amount in 2021 is $1,203.75 per month. If you haven't contributed enough, like most, the average monthly benefit for new beneficiaries is $706.57 (March 2021). Thus, the annual CPP at 65 could either be $14,445 or $8,478.84.

## CPP flexibility

Flexibility is a salient feature of the CPP. A user can start payments as early as 60 or defer up to age 70. However, the two options have lasting implications. Often, the take-up decision depends on an individual's financial situation. The early option is practical for users with health issues or needs immediate cash flow.

However, commencing payments at 60 reduces CPP benefits by 0.6% for each month (7.2% per year) before age 65. It translates to a 36% permanent decrease overall. Remember, the CPP is a partial replacement of pre-retirement income. Hence, you could outlive your retirement savings if you're only rushing to start payments.

## Permanent boost

The CPP offers an incentive so that users can enhance the sustainability of their retirement funds. You can delay the payment for up to five years or until age 70 to increase the benefit by 0.7% for each month (8.4% per year) after 65. Thus, the amount is higher each year of delay and a maximum permanent boost in pension of 42%.

The studies by the Canadian Institute of Actuaries and the National Institute on Ageing in 2020 say the delay option is financially beneficial if you're in excellent health and have the means to bridge the income gap. Besides strengthening your lifetime income stream, you can cope with inflation and avoid erosion of your CPP.

## Additional income source

The CPP, along with the Old Age Security (OAS) at 65, are the retirement foundations of Canadians. Still, it would be best to have additional income sources to secure your financial well-being in retirement fully.

Energy stock **Keyera** (TSX:KEY) is an attractive investment if you need to build a nest egg. At $33.24 per share, the $7.35 billion oil and gas company pays a higher-than-average 5.8% dividend. If you want a rough estimate of how long the dividend stock can double your money, apply the Rule of 72.

Divide 72 by the dividend yield (72 / 5.8), and the answer is 12.41 years. Assuming you have $50,000 to invest in Keyera and the yield remains constant, your money will compound to $101,167.46. Since the company pays monthly dividends, your income every month by then is $488.98.

Keyera currently outperforms the broader market (+52.13% versus +16.06). The dividend payouts should be safe, as cash flows come from fee-for-service, take-or-pay contracts with investment-grade customers. Furthermore, the track record of steady dividend growth since 2003 should give you the confidence to invest.

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## Craft a flawless retirement plan

Retirement experts advise crafting a savings and investing plan years before the retirement date. Make sure to integrate the CPP and see which of the take-up options fits best into your plan.

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