Elderly Couples: Should You Start the CPP Benefit Early?

Description

The health crisis altered retirement plans and crushed the confidence of many Canadians to take the retirement exit. Thus, deciding when to start collecting the Canada Pension Plan (CPP) benefit is a dilemma for elderly couples. Would-be retirees with scarce or zero retirement savings are in a bind, too.

The CPP pegs the standard retirement age at 65. If the spouses are both 65 and starting the pensions today, the maximum monthly payment (2021) for each is $1,203.75. However, most CPP users don't qualify to receive the maximum. The average amount for new beneficiaries (June 2021) is $714.21 per month.

CPP payment options

Given the uncertain times, it would be a financial risk to collect your CPP benefit as early as 60, even if you can. The amount reduces by 0.6% every month before age 65, or a 36% permanent reduction overall for five years. This option is practical if you have urgent financial needs.

But users can boost their CPP by delaying payments until 70. The incentive is a 0.7% increase every month after 65, or 42% more in pension payments overall. The CPP's flexibility allows couples to determine which option suits them best to avoid financial dislocation during their retirement years.

Create income streams

Spouses can work together to fatten their nest eggs and create additional income streams post-retirement. **NorthWest Healthcare Properties** (TSX:NWH.UN) has been among the top investment choices since the COVID breakout. The $2.87 billion real estate investment trust (REIT) owns and leases out medical office buildings, hospitals, and clinics.

Couples can supercharge their retirement savings with the only REIT in the cure sector. It trades at $13.33 per share and pays a generous 6.06% dividend. A $141,500 investment will generate $714.58 in passive income every month. The amount matches the monthly CPP pension at 65.

NorthWest is a global healthcare REIT with 190 income-producing properties. Besides Canada, it has high-quality real estate assets in Brazil, Australia, New Zealand, Europe, and the Netherlands. The dividends should be safe considering the long-term maturity profile (14.2 years weighted average lease expiry) and high occupancy rate (96.7%).

Top-notch prospect

Medical Facilities (TSX:DR) is another top-notch prospect in the medical care industry. The $299.86 million company owns and operates specialty surgical hospitals and an ambulatory surgery centre in the United States. As of October 13, 2021, the share price is $9.84, while the dividend yield is a modest 2.89%. However, the overall return should be higher because of capital gains.

The healthcare stock outperforms the TSX so far this year (+44% versus +18.27%). Had you invested $20,000 in DR on December 31, 2020, you'd have a windfall of $8,729.93 today on top of the dividends. Based on analysts' buy rating, the price could appreciate 7% to $10.48 in the next 12 months.

Management reported revenue and income growth of 10.5% and 60.7% in Q2 2021 (quarter ended June 30, 2021) versus Q2 2020. Robert O. Horrar, president and CEO of Medical Facilities, said, "The volume recovery continued in the second quarter as we neared pre-pandemic levels." He added the company is cautiously optimistic in its outlook for the rest of 2021.

Stability in retirement

Elderly couples can start CPP payments earlier than 65, provided they have other income sources. Dividends can compensate for the pension's reduction if you take the early option.

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