# Canada Pension Plan: Take It Now Or Wait?

The Canada Pension Plan (CPP) provides millions of Canadians with additional retirement income. You can start collecting CPP as early as age 60 or defer until 70. According to canada.gov.ca website, the maximum monthly amount an individual can receive at age 65 is currently $1,254. This amount is continuously adjusted to the cost of living.

As a recap, every month you take CPP before the age of 65 results in a 0.60% reduction in pension entitlement. Taking it when you turn 60 means you would receive 36% less than at age 65.

If you elect to take CPP over the age of 65, the government rewards you with an additional 0.70% per month, up to an increase of 42% if you wait until age 70.

**The case for taking CPP early:**

1. **You are no longer working.** You are no longer accruing CPP benefits then. Ex: if you retire at 55, that means between 55 and 65 you will have essentially 10 years of $0 income which could drop your overall CPP benefit.
2. **You are working and in a low tax bracket.** Taking CPP early could help with paying down debts before retirement, topping up your Tax-Free Savings Account (TFSA) for future use, or enhancing your lifestyle while still working.
3. **You want extra income in early retirement.** Generally, the breakeven age for drawing CPP at age 60 versus 65 is 12 years, meaning deferring CPP comes ahead at around age 77. Most retirees seem to prefer extra income in their early retirement years to help fund trips and active lifestyles.
4. **You have health issues.** CPP survivorship rules may provide partial benefits to your spouse, but if s/he already has full CPP, then there is no survivorship benefit outside the $2,500 death benefit.
5. **You have TFSA room.** If you collect CPP and save it to your TFSA, you can invest it as you'd like and never pay taxes on it again! Some investors also use this to build a travel or emergency fund.

**The case for deferring:**

1. **You are working and in a higher tax bracket.** As an example, say you earn $100,000 a year in salary. Currently your combined BC and Federal tax rate is 38.3%. This means taking CPP at age 60 would result in a 36% reduction of the current $1,254 amount, followed by another 38% tax hit, leaving you with $497 after-tax.

   In contrast, if you retire at 65 with a $60,000 pension, income split with your spouse, and wind up in the 20% tax bracket, you'd net $1,003 from the same CPP payment (over double!).
2. **You have a bridge benefit** on your pension that ends at age 65, it could make sense to defer and get larger CPP entitlement.
3. **You are 65 or older and near OAS claw back** threshold which currently begins at $79,845. Deferring CPP may make sense if you can lower your income in future years.
4. **You are receiving government assistance.** If you or your partner are receiving government benefits such as Guarantee Income Supplement or the Allowance, drawing CPP could potentially impact your entitlement.
5. **You are a risk-adverse investor.** Investments would need to earn 7.2% a year to offset taking CPP earlier than 65. In today's environment, that can be a challenge and could result in taking on more risk than you are comfortable. Drawing down low risk RSPs and leaving CPP for a later date could make sense.

These are just some factors that may impact your decision to draw CPP. As always, please consult a professional to review your circumstances. We are happy to provide the numbers and financial reasoning behind when to draw benefits such as CPP; however, what often is more important is enjoying retirement and fulfilling bucket lists.

**Until next time…Invest Well. Live Well.**
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