

DELAYING YOUR CPP BENEFITS IS A SMART MOVE

On December 8th, 2020, the National Institute on Ageing (NIA) and the FP Canada Research Foundation™ released Get the Most from the Canada & Quebec Pension Plans by Delaying Benefits, a research paper authored by Dr. Bonnie-Jeanne MacDonald, outlining the significant benefits of delaying pension benefits up to age 70.

“Delaying Canada and Quebec Pension Plans (CPP/QPP) benefits for as long as possible is the safest and most inexpensive approach to get more secure, worry-free pension income that lasts for life and keeps up with inflation,” said Dr. MacDonald, director of financial security research at the NIA. “But less than one per cent of Canadians choose to delay benefits to age 70, with most taking their benefits as soon as they are eligible at age 60.”

The average Canadian receiving median CPP/QPP income can expect to lose over \$100,000 of secure lifetime income, in today's dollars, over the course of their retirement by choosing to take benefits at age 60 rather than 70 – just from the age-adjustments alone. Even delaying benefits by a single year from age 60 to 61, can make a significant difference in retirement. A \$1,000 monthly benefit at age 60 increases to \$1,112.50 if the individual waits until age 61 and goes up to \$2,218.75 at age 70 - for life and with inflation protection.

The research indicates that more than half of Canadians could have delayed taking their benefits by at least a year, and over a quarter could have delayed for more than 10 years by using only their RRSP/RRIF savings to bridge the income gap. However, current practices, anchored in often outdated assumptions about retirement, encourage Canadians to take their benefits early.

Retiring with dignity means having peace of mind knowing you have a reliable income as you age. Putting a financial plan in place will help create a roadmap to manage money earned and invested so that when it is time to retire, there is a steady income stream. As a result, people are more financially independent and can delay collecting government sponsored pension plans.

The goal of this research paper, funded by the FP Canada Research Foundation, is to help retiring Canadians make more informed decisions about when to start their CPP/QPP benefits. Full findings of this paper are available at: <https://bit.ly/3a3hszx>.

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