When Should I Start Receiving CPP?

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If you apply on your 60th birthday, you'll get about 36% less of the age 65 monthly pension. But, if you wait until you're 70, you'll get about 42% more. Should you hold out for the higher income, or start early?

Start early and you're sure to get it. If you wait, and die before it starts, the income you could have had is lost to you and your heirs forever.

Start early and you'll get more. Every year you postpone it means twelve payments that you will never get. This is money you could be saving and investing. Your investments probably could produce far more than you might gain by postponing the start of your CPP income.

Early CPP payments can augment your RRSP. If you don't need the income, and have contribution room, put it in your RRSP. Better still, put it into your spouse's to split future income and reduce the possibility or amount of an Old Age Security claw-back.

George retired at age 60. Though his company pension was adequate, he applied for his Canada Pension Plan. Because he and his wife, Elizabeth, had enough RRSP contribution room to justify deposits greater than his CPP income, he put it all into Elizabeth's Spousal RRSP.

George and Elizabeth did not need to take any income from their RRSPs until they turned age 65. It was a very pleasant surprise for them when they discovered that Elizabeth had over $40,000 more in her RRSP because George deposited his CPP benefits into it.

Something else to consider is Canada Revenue Agency 'claws-back' Old Age Security payments if they take you above a certain income level, but OAS doesn't start until age 65. Your CPP payments could then put you into the claw-back level. Payments received before age 65 would not be affected.

And because your early-start Canada Pension is lower, your post-65 income is less affected by the claw-back provisions than if you had waited for higher CPP payments.

George's Old Age Security started this year, and thanks to his lower Canada Pension Plan income, none of it will be clawed back next April. Making deposits into Elizabeth's RRSP helped, too, by putting some income into her hands.

This article is for informational purposes and is not intended as specific CPP advice.

Want help with your retirement plans?

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