



# FINANCIAL WISDOM

## - WEALTH MANAGER -

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## CPP at 60? Pros and Cons

As individuals approach retirement, they must decide when to start receiving their Canada Pension Plan (CPP) payments. While the standard age to begin receiving CPP payments is 65, it is possible to start as early as age 60 or delay until age 70. This decision should never be taken lightly, as it can significantly impact an individual's financial situation during their retirement years. In this article, we will explore the advantages and disadvantages of taking Canada Pension Plan payments early.

### Advantages

**Early Access to Funds** - One of the chief advantages of taking CPP payments at age 60 is the early access to an extra source of income. This can be particularly beneficial for those wishing to retire early because of health concerns that may limit their ability to continue working.

**Flexibility** - Starting CPP payments at age 60 offers additional financial flexibility as individuals can combine their CPP income with other sources, such as savings or part-time employment, to manage cash flow needs.

**Longer Retirement Period** - By starting CPP payments at age 60, individuals can potentially enjoy a longer period of extra income, allowing them to pursue hobbies, travel, or spend quality time with loved ones.

**Avoiding Potential Future Changes** - The government periodically reviews and adjusts CPP policies. By taking payments at age 60, individuals can potentially avoid any future changes that might result in reduced benefits or altered eligibility criteria.

### Disadvantages

**Reduced Payments** - Starting CPP payments at age 60 results in a lower income compared to starting at age 65. For each month before the age of 65 that you start receiving CPP, your payment is reduced by 0.6% percent (7.2% per year). This is a permanent decrease in your overall CPP payments throughout your retirement years.

**Opportunity Cost** - By choosing to receive CPP payments early, individuals would miss out on further growth of their CPP benefits. If payments are delayed until age 65 (or later) then a retiree will receive higher monthly payments – based on current government rules. This can be a substantial advantage for those with other sources of income for their early retirement years.

**Potential Tax Implications** - Depending on an individual's overall financial situation, starting CPP payments at age 60 might have big tax implications. These payments could push them into a higher tax bracket, potentially reducing the overall amount of disposable income they have available. Check with your financial advisor for more details.

The decision to receive Canada Pension Plan payments early is complex. While early access to funds and increased flexibility can be appealing, individuals should always weigh these benefits against the impact of reduced payments, potential opportunity cost, and other financial implications of their decision. It's essential to assess individual circumstances, health considerations, and other retirement income sources before making a final choice.

**Got retirement questions? We can answer them for you now!**



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