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, begin at the standard age of 65, or defer until age 70. For 2026, the maximum monthly CPP retirement pension at age 65 is $1,507.65[1]. This amount is continuously adjusted to the cost of living. Most Canadians receive less than the maximum, so your own Service Canada estimate is the best number to use for planning.

As a recap, every month you take CPP before age 65 results in a 0.60% reduction in your pension entitlement. If you start at age 60, that is a permanent reduction of up to 36% compared with starting at 65.

If you elect to take CPP after age 65, the government rewards you with an additional 0.70% per month, up to a maximum increase of 42% if you wait until age 70. There is no added benefit to delaying CPP past age 70.

The case for taking CPP early:

1. You are no longer working. You are no longer accruing CPP benefits. 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 may help with cash flow, paying down debt, topping up your Tax-Free Savings Account (TFSA), or supporting lifestyle goals while you are still active.

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. Many retirees value extra cash flow in their early retirement years for travel, family experiences, home projects, or other goals. The trade-off is that the monthly CPP amount is permanently lower.

4. You have health issues. CPP survivorship rules may provide partial benefits to your spouse, but if they already have full CPP, then there is no survivorship benefit outside of the one-time $2,500 death benefit.

5. You have TFSA room. If you do not need CPP income for spending, one strategy is to save some or all of it to a TFSA, where future investment growth and withdrawals are tax-free.

The case for deferring:

1. You are working and in a higher tax bracket. As an example, say you earn $105,000 a year in salary. Currently your combined BC and Federal tax rate is 31%. This means taking CPP at age 60 would result in a 36% reduction of the current $1,507 amount, followed by another 31% tax hit, leaving you with $665 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 $1205 from the same CPP payment.

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 Old Age Security claw back threshold which currently begins at $95,323. Deferring CPP may be worth considering if it helps manage taxable income in a future year.

4. You are receiving government assistance. If you or your partner receive 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. 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 of the factors that may impact your decision of when 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 is often more important is making sure the timing supports the retirement lifestyle you want to enjoy.

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

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