



Important Topic: When should I start taking CPP?

As opposed to most pensions, CPP is indexed to inflation. CPP is therefore one of the few reliable income sources that provides guaranteed, inflation-adjusted income for life.

A good summary and FAQ on the Canada Pension Plan can be found here <https://www.canada.ca/en/services/benefits/publicpensions/cpp.html>

However, deciding when to start your Canada Pension Plan (CPP) is an important financial decision and it effects the amount you will receive.

You can begin collecting CPP as early as age 60, but the amount you would receive is decreased by 0.6% for every month (or 7.2% for every year) you start before your 65th birthday.

You can also defer it to as late as age 70. Deferring will increase the amount by 0.7% for every month (or 8.4% for every year) you start after your 65th birthday.

Importantly, note that while starting early provides a lower annual amount, it does so for an extra 5 years. Deferring until you are 70 provides a higher amount, but for fewer years.

What You Get at Different Starting Ages

As of 2025, if you qualify for the maximum CPP amount, your monthly benefit would be:

- **Start at 60:** \$917/month (**\$11,004/year**) — 36% reduction below full benefit
- **Start at 65:** \$1,433/month (**\$17,196/year**) — full benefit
- **Start at 70:** \$2,035/month (**\$24,420/year**) — 42% increase above full benefit

Break-Even Analysis: When Does Waiting Pay Off?

To evaluate when it makes sense to start CPP, it helps to look at break-even points. These are the ages at which two starting dates provide the same cumulative results.

Start at 60 vs. 65. The breakeven point occurs at 73. Meaning that if you live past 73 then you would have been better off delaying your CPP to age 65 than taking it at 60.

Start at 65 vs. 70. The breakeven point occurs at 81. Meaning that if you live past 81 then you would have been better off delaying your CPP to age 70 than taking it at 65.

So how to decide?

There's no universal answer. The right decision depends on a mix of personal and financial factors, including your income needs, tax situation, health, and more, including emotions.



Income Need

If you've retired and need income now, starting CPP at 60 may be prudent and even necessary. If your income needs are met, and all other factors are equal, deferring should provide better long-term value.

Tax Situation

CPP is taxable. If you're still working or in a higher tax bracket, deferring until you fully retire could result in CPP being taxed at a lower rate.

Health and Longevity

We appreciate that no one knows how long they will live. This consideration is based on one's personal health, lifestyle, and family history.

If you're healthy and longevity runs in your family, deferring can be beneficial.

The longer you live, the more valuable a higher monthly CPP becomes. If you're healthy and expect to live past 85, deferring makes perfect sense.

Statistically, women live longer than men, so healthy women may benefit more from deferring.

Other Considerations

Deferring CPP results in larger amounts due to both the fixed deferral increases and also the rate of inflation. Therefore, if markets are volatile or inflation is high, deferring can be a good investment.

Emotions

After all is said and done, this decision may come down to an emotional reaction. After paying into CPP all their working lives, many clients are eager to start receiving money from the government.

This feeling is usually summarized as "I do not know how long I will live, I have no idea what the government may do to CPP in the future, but I have the opportunity to start receiving funds and I plan on taking it".

And there is nothing wrong with this logic.

Conclusion

While most Canadians start CPP before age 65, data shows many could benefit from waiting. The default start age is 65 but unless there's a compelling reason to start earlier, it often makes sense to wait.

But remember that the decision to start CPP should always align with your well-thought-out retirement income plan. Happy to discuss.

CPP vs. OAS: A Quick Note

It's important to understand that CPP and Old Age Security (OAS) are separate programs:

CPP is based on employment contributions and is fully funded. You are guaranteed to receive your entitlement regardless of income.

OAS is paid from general government revenues and subject to claw back if your income is above a certain threshold. OAS is clawed back starting at an income level of \$90,997 and becomes nil when one's income reaches \$148,451.

Deferring OAS involves a similar analysis as above. However because OAS can be reduced based on your income, the decision to defer it should be evaluated separately, factoring in one's expected annual incomes.

Market Update: July 2025 – New Highs

Markets rose again in July, with the S&P 500 and TSX hitting new all-time highs. The past three months have seen impressive increases across most markets producing attractive Year-to-Date returns.

The key, as always, has been earnings. Companies continue to report increased earnings. According to Factset the blended earnings growth rate of the S&P500 for the second quarter (Apr – Jun) currently stands at 5.6%. This is impressive and above the 4.9% expected.

The market has been focused on whether the US Federal Reserve will lower interest rates. President Trump points to low inflation figures and believes the Federal Reserve should already have cut rates. The Federal Reserve points to President's Trump tariff policies and the expectation that they are inflationary. With tariff policy being used as a weapon to modify other country's behaviors, it appears that we remain at an impasse. Volatility remains high and we expect such volatility to continue.

Regardless, we continue to believe that the economy will push forward, even with current interest rates. As long as earnings continue to grow, consumers continue to spend, wages remain strong, and jobs are available, we do not expect markets to fall any further than usual and believe the odds remain in favour of attractive gains.

We remain cautious about the short term and positive and optimistic about the medium, and long term. Most importantly, we are confident that working together we are able to meet your, our client's, objectives. At the end of the day this is all that truly matters.

Index	Month	Year to date
Bonds FTSE Canada Universe Bond Index - CAD	- 0.90%	0.50%
Canadian Equity - S&P/TSX 60 Index - CAD	1.70%	11.20%
US Equity – S&P 500 - CAD	2.20%	7.50%
International – MSCI EAFE Index - USD	- 2.10%	17.70%
Global Small Companies - CAD	2.60%	4.80%
Emerging Markets - MSCI Emerging Markets Index - CAD	2.50%	12.80%
Real Estate - Dow Jones® Global Real Estate Index - USD	- 1.40%	3.20%
S&P/TSX Preferred Share Index - CAD	2.90%	10.70%

Have a great month and let us know if there is anything we can do for you,
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