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Delaying Canada and Quebec Pension Plan Benefits Can be the Most Cost-Effective Approach to Securing Retirement Income for Life

Many Canadians are giving up substantial lifetime pension income by claiming pension benefits before age 65

TORONTO – Today, 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 However, current practices, anchored in often outdated assumptions about retirement, encourage Canadians to take their benefits early.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," says Tina Tehranchian, Senior Wealth Advisor with Assante Capital Management Ltd. "Putting a financial plan in place will help create a roadmap to manage money earned and invested so that when it's time to retire, there's a steady income stream. As a result, people are more financially independent and can delay collecting government sponsored pension plans."

Retirement has changed, and industry practices should adapt to the current environment – one in which Canadians are facing longer periods of time in retirement, scarcer sources of secure pension income, low interest rates, and fewer adult children available to provide care to ageing parents as their health declines.

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.

The National Institute on Ageing is a Ryerson University think tank focused on the realities of Canada's ageing population.

The FP Canada Research Foundation, an independent registered charity, is dedicated to funding, promoting and disseminating financial planning research to enhance the well-being of all Canadians. The Foundation is committed to technical research that examines and challenges current practices in financial planning, behavioural research that examines the impact of human behaviour on effective financial planning and societal research that examines the benefits of financial planning on society as a whole.

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