Banking on CPP for Retirement: 2 Dividend Stocks to Boost Your Monthly Income

Description

The Canada Pension Plan (CPP) has been around for over 50 years. In the past, Canadians could rely on the CPP and the pension from their employer to cover their expenses in retirement. But in the last two decades, pension plans have all but disappeared, leaving most Canadians to fend for themselves when it comes to funding their golden years.

Canadians are on their own when it comes to saving for retirement

The current maximum monthly benefit from CPP is $1,154.58. For those living in Quebec, the Quebec Pension Plan (QPP) provides similar benefits.

But most Canadians don't come close to receiving the maximum CPP payment. In order to receive it, you need to have made the max contribution to CPP for 39 years. Canadians who enter the work force late, start benefits before age 65, have low incomes, or don't have 39 years of contributions will not receive the maximum benefit. It's no wonder only 6% of CPP recipients receive the max payout, according to data from Employment and Social Development Canada.

How the average CPP payment compares to the average income

The average monthly CPP payout to Canadians who start benefits at age 65 is $673.10. For those who start benefits at age 70, the average payment is $955.80 per month. You can begin taking CPP benefits as early as age 60, but the benefit is reduced by 0.6% for every month before your 65th birthday you start receiving payments.

According to Statistics Canada, the average Canadian pre-retirement salary is $4,650.53 per month. Most experts recommend retirees plan for at least 75% of pre-retirement income to continue their standard of living in retirement. For the average Canadian, that translates to a monthly income of $3,486.90.

CPP covers only a small percentage of your retirement income needs

In reality, CPP only provides 20% of the average Canadian's recommended retirement income. The shortfall is $2,813.80 per month. It is your responsibility to fund the gap.

While there are government programs that provide some money in retirement, such as the Old Age Security (OAS) or the Guaranteed Income Supplement (GIS) for those who qualify, these programs provide only a small monthly stipend.

The best way to make up for the CPP shortfall

One of the easiest ways to increase your income in retirement is to invest in high-quality dividend stocks. The monthly income from dividend stocks can supplement your CPP payment and make the difference between living a self-funded retirement to relying on others (like family or government programs) to make ends meet.

Look to Dividend Aristocrats to provide reliable dividends every month. To be considered a Dividend Aristocrat, a company must be publicly listed on the TSX and have a minimum of one dividend increase annually for at least the last five consecutive years. There are over 80 stocks trading on the TSX that meet these criteria, but let's look closely at two of them: **Dollarama** (TSX:DOL) and **Alimentation Couche-Tard** (TSX:ATD.B). These companies are not only Dividend Aristocrats, but by the nature of their businesses, they may provide some stability during a downturn in the economy.

Dividend Aristocrats

Dollarama, Canada's largest dollar store retailer, has raised its dividend for the past seven consecutive years. As of this writing, the stock is trading at $45.70 and pays a dividend of .38%. In the last earnings release, the company raised its full-year same-stores sales forecast. The stock subsequently soared 10%.

Alimentation Couche-Tard has increased its dividend for the past nine consecutive years. With over 13,000 stores across several continents, Couche-Tard is one of the world's largest operators of convenience stores. Its most recognizable brands are Circle K and Mac's Convenience Stores. The current dividend is .59% and the stock is trading at $82.60 as of this writing. Alimentation Couche-Tard will release its fourth-quarter earnings on July 9.

The bottom line

While there are plenty of companies paying a higher dividend, there are few that can deliver a dividend increase every year. As two of the highly regarded Dividend Aristocrats, Dollarama and Couche-Tard can be counted on to keep paying the dividend regardless of volatility in the market. This reliability is critical to retirees who count on dependable monthly income to supplement their monthly CPP payments.

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2. Investing

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