



Baby Boomers: Master the CPP to Max Out Your Nest Egg

Description

The intention of the Canadian government to introduce the Canada Pension Plan (CPP) in 1966 was to provide a basic benefits package for retirees and disabled contributors. All working individuals in Canada are eligible to contribute to the CPP and receive benefits come retirement.

If you can master the other essential features of the CPP, you can enjoy your retirement to the fullest.

Retirement vehicle

The CPP is a deferred-income retirement vehicle to complement Old Age Security (OAS). Canadians who reach the full retirement age of 65 are entitled to receive the standard benefits. There are special provisions for people between 60 and 65 and those with chronic disabilities.

Contribution requirement

When you reach retirement age, the number of years you have contributed the required minimum amounts would be the basis of your benefits. But to qualify for the maximum benefit, you should have made sufficient contributions to the CPP in 40 years.

The fund manager of the CPP

The members' contributions to the CPP are in a trust fund, in which the CPP Investment Board (CPPIB) invests in financial instruments like stocks. Other would-be retirees follow the lead of the CPPIB.

To augment CPP, you can invest in companies where the CPPIB has stock holdings. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) are among the top names in the CPPIB's stock portfolio.

As of March 31, 2019, the CPPIB holds 5,541 and 4,103 shares of Scotiabank and Suncor, respectively. Both are well-established, dividend-paying stocks with [excellent track records of dividend payments](#).

Scotiabank has been a consistent dividend payer since 1832, or throughout most of its corporate existence. Its dividend policy aligns with the bank's earnings. Therefore, the yield grows during cyclical downtrends, market corrections, and even during a recession. The current yield is 4.87%.

Retirees' prefer Scotiabank because the stock delivers steady dividend growth while maintaining a conservative payout ratio. Scotiabank stands out versus industry peers because of its strong international presence.

Today, Scotiabank has a market cap of \$90.8 billion with a strong and growing presence outside Canada. Expansion into emerging markets such as Latin America and the Caribbean will be the catalysts for growth.

Suncor is the [hands-down choice](#) because of its reliability as a dividend payer amid the unpredictability and volatility of the energy sector. This popular energy stock has a dividend-growth streak of 15 years. Over the past decade, dividends per share have grown at approximately 24% annually.

The stock appeals to both the CPPIB and would-be retirees because of its rapid dividend growth and zero dividend cuts over a lengthy period. Suncor's revenue growth often outpaces the industry average. It maintains a meagre debt-to-equity ratio, which is below the industry average as well.

Suncor's current yield of 3.99% is safe in any market environment. Historically, the stock price of this integrated energy company can still rise in spite of industry headwinds.

A bonus to financial freedom

Investing in Scotiabank and Suncor is like following the winning strategy of the CPPIB. Furthermore, you can defer your CPP benefits beyond 65 to receive 8.4% more every year. Or take it at age 70 to get the maximum 42% increase. You'll be a baby boomer with the financial freedom to enjoy retirement.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date

2025/08/25

Date Created

2019/10/07

Author

cliew

default watermark

default watermark