Retirees: 2 Incredibly Easy Ways to Boost Your CPP Payments

Description

Despite improvements made to the plan under Liberal Prime Minister Justin Trudeau, I still wouldn't count on the Canada Pension Plan (CPP) as my only source of income come retirement.

The current maximum you can expect from CPP is $1,154 per month, based on a standard retirement at age 65. That amount should slowly go up over time, but not much more than the rate of inflation. Thus, we can expect the purchasing power of that amount to stay relatively the same going forward.

If you and your spouse both retire at age 65, you're looking at approximately $2,300 per month in total CPP income, which works out to just a hair under $28,000 annually. Even if the rest of your financial lives are in order, that still likely won't be enough for a comfortable middle class retirement.

The good news is there are a couple of very easy ways to increase your income during your golden years. Let's take a closer look.

Delay CPP

You're rewarded substantially for being patient with your CPP. Working a couple extra years past the traditional retirement age increases your monthly payments substantially.

A couple who qualify for maximum payments but delay taking that income will see their monthly income increase by 16.8%. That's enough to turn the maximum income from just under $28,000 to $32,348. Add in other income sources like Old Age Security, Guaranteed Income Supplement, or a workplace pension and we're suddenly talking about the difference between a sparse retirement and one that can afford a little more luxury.

Remember, most folks need less to live on during their golden years. Commuting costs go down to virtually zero. You don't need to keep up a wardrobe for work. Taxes go down because incomes are usually lower. And let's not forget the big one – you no longer have to save for retirement once you're retired.

Invest well

A few smart investments can turn a relatively small amount of cash into a dependable monthly income stream.

Let's take a closer look at one of my favourite dividend payers, **Automotive Properties REIT** (TSX:APR.UN), a company that is slowly buying up auto dealership real estate. It then rents these locations back to the dealership operator on a long-term triple net lease, meaning the operator is responsible for maintaining the property.

Automotive Properties has grown like a weed since its 2015 IPO, with the number of properties owned more than doubling in the four years since. The portfolio today consists of 61 different locations spanning more than 2.3 million square feet in gross leasable space. More than 80% of that space is located in or near Canada's six largest cities.

It's obvious investors like this expansion plan. Shares are up close to 30% thus far in 2019, including reinvested dividends. Even after such a nice run-up, the stock is still reasonably valued. It trades for just over 11 times 2019's estimated adjusted funds from operations.

And finally, Automotive Properties pays a succulent $0.067 per share monthly dividend, enough for a 7.1% yield. The payout ratio is approximately 80%, which is quite safe for a REIT. In fact, I wouldn't be surprised if the distribution is increased soon.

A $30,000 investment in Automotive Properties would generate an additional $2,130 in annual income. That's the equivalent a retiree giving themselves a nice 5% to 10% raise. Double the investment and we're talking some serious money here. It's enough for a nice vacation or two.

The bottom line

To maximize your CPP, a couple of options work best. You can work a little longer and invest in some of Canada's best monthly paying dividend stocks. The latter don't get much better than Automotive Properties REIT.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)

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