



Retirees: 2 Simple Ways to Boost Your After-Tax CPP

Description

The Canada Pension Plan (CPP), a deferred-income retirement vehicle, was designed to replace 25% of a contributor's earnings. Enhancements, however, were introduced, so you can enjoy higher benefits. With the improvement, the CPP will begin to grow to replace one-third of the average earnings you will receive after 2019.

If you think your retirement income from the CPP is not enough, you can significantly boost your after-tax CPP with your private savings. You can invest in dividend stocks and create a pension-like plan. Your retirement savings could reach a million through the power of compounding interest.

Nothing can stop your retirement savings from growing if you own shares of **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Suncor** ([TSX:SU](#))([NYSE:SU](#)). The CPP Investment Board (CPPIB), the fund manager of the CPP, also has holdings of both.

Put your money to work

Compounding interest is a friend of regular or not-so-wealthy investors. CNQ stock, for example, pays an annual dividend of 4.06%. In the past, the yield was lower. However, a \$10,000 investment made 20 years ago had a total return of 1,044.06%.

The high return on CNQ for the period is the dramatic effect of reinvesting dividends. You have an equal shot, just like the rich, to grow your private savings and build a substantial nest egg.

Canadian Natural Resources is [a stalwart in the oil sands](#). This Calgary-based company has been capitalizing on opportunities to generate billions of revenue from the oil fields in the North Sea and Europe. Its presence is expanding through the continuous acquisition of life-long assets to add to its oil sands portfolio.

At less than \$40 per share, you have the opportunity to put your money to work and let it grow over the long term.

Be patient

Compounding interest rewards discipline and patience. Long-term investors have been compounding investments in Suncor for years now. This integrated oil and gas company is the second-largest energy company in Canada as of 2019.

If you have a long investment period, Suncor could be your fountain of wealth in your later years. Again, and with the 4.29% dividend, your \$100,000 savings would be worth \$285,802.94 in 25 years. You can only realize the 186% windfall through the power of compounding interest.

Suncor is the single stock investment of some TFSA users. The energy stock is also [one of only two Canadian stocks](#) that legendary investor Warren Buffett holds in his conglomerate's portfolio.

In choosing Suncor, Buffett is sticking to his value investing principle. He knows that this energy stock has yet to reach its full potential. But for dividend investors, the 17 consecutive years of annual dividend increases is the compelling reason to invest in Suncor.

Eighth wonder of the world

Albert Einstein once quipped, "Compound interest is the eighth wonder of the world." Other descriptions about compounding interest came after, including "the great equalizer."

Now that you know the universal truth, you can begin to boost your after-tax CPP by investing in Canadian Natural Resources and Suncor Energy. Let it start with a snowball, then allow the magic of compounding interest to turn your TFSA into an avalanche of wealth.

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1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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