



Maximum CPP Payments are \$1,154: You Can Generate That Today!

Description

The Canada Pension Plan (CPP) is the cornerstone of every Canadian's retirement plan. It's considered one of the most robust retirement plans in the world and nearly every working-age individual is counting on it as a safety net for their later years.

However, the monthly payments offered under this scheme are capped so that the fund never runs out. The maximum monthly payment any retiree can receive in 2019 is roughly \$1,154.5 per month, and most retirees get far less. The average payment is roughly \$640 every month.

That got me thinking: what would it take for an aggressive saver or a high-income taxpayer to generate the same amount today? In other words, could a disciplined investor retire early? Turns out you can. Here are two ways to generate the average CPP payment right away.

High dividend yield

A stock portfolio with a high dividend yield is probably the best way to generate tremendous passive income right away. However, the average stock dividend is roughly 2.89%, which isn't enough to generate a hefty monthly payment. Investors seeking to retire early may need to aim for stocks with an exceptionally high payout.

Oil and gas giant **Vermilion Energy** is a good example. The stock currently offers a lucrative 14% dividend yield. At that rate, you'll need roughly \$99,000 in capital to generate \$1,154 in monthly dividend payments.

Other stocks like **Chemtrade Logistics Income Fund** and **Dorel Industries** also offer impressive, [double-digit dividend yields](#) that can help you meet this target.

However, there's a catch. Companies with high dividend yields are usually riskier than the average stock. Oil, gas and industrial chemicals are all volatile industries and the companies mentioned above may be facing a heavy debt burden that could jeopardize their payouts.

For investors who are unwilling to take the risk of a dividend cut, there are better options.

High savings rate

With a larger pool of capital, you can generate the same amount of passive income as the CPP maximum with far less risk.

Robust and relatively reliable stocks like **Canadian Imperial Bank of Commerce** and **BCE** offer dividend yields as high as 5.6%. These dividends are backed by regular cash flows and good management, so they're considered far more reliable.

However, with a lower dividend yield, you may need to save up more. At 5.6% a year, investors need at least \$247,000 in capital to generate the CPP maximum every month. Alternatively, you could generate the *average* CPP payment of \$640 a month with just \$137,000.

Bottom line

Being able to generate passive income that matches the Canadian Pension Plan monthly payments is the definition of early retirement.

If you can save aggressively or invest in stocks with exceptional dividend payouts, you can reach this goal in a matter of years rather than wait until you turn 65 years old.

Of course, accumulating hundreds of thousands of dollars isn't easy. But with a well-defined strategy and a little discipline, it is certainly achievable.

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