Retirees: Max Out Your CPP Pension Using 1 Simple Strategy

Description

Retirees should accept the reality that you can't rely on the Canada Pension Plan (CPP) for financial sustenance during the retirement years. The plan was designed to supplement your retirement income. It's a form of deferred savings but not a source of retirement income. You need to build your nest egg separately.

The only way to maximize your CPP is to time your actual retirement. You can take your CPP as early as 60 if you believe in the time value of money. The strategy makes sense, but the better tactic is to defer it until age 70. With this approach, your benefit will increase by 0.7% per month of deferral.

Investment income

Investing early can secure your future financial well-being. You need to save while you're young to amass as much money for retirement. Be resourceful and start investing in **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Bridgemarq** (TSX:BRE).

These dividend stocks can be your sources of regular income during the sunset years. By the time you take out your CPP at 70, you would have amassed a sufficient amount of money to live comfortably. Your pension will serve as your supplementary income.

No financial strain

CIBC is not a regular investment. Besides being the fifth-largest bank in Canada, this bank stock pays the highest dividend (5.24%) among the Big Five banks. Its track record of paying dividends is nothing short of spectacular. Because the history dates back to 1868, CIBC is a buy-and-never-sell stock.

A mere $10,000 investment translates to an annual income of $524. With a higher amount of $100,000 and an investment window of 25 years, your money will grow to as much as $358,500. The earnings will beat your CPP by a mile.

As an added comfort, CIBC didn't fail investors even during the 2000 and 2008 financial crises. The bank was prudent, yet it kept paying the dividends. It speaks volumes when it comes to dependability and reliability. There is an assurance of no financial strain, especially to retirees.

Back-up income source

Bridgemarq can serve as your secondary source of income. This company, which provides various services to residential real estate brokers and realtors in Canada, is a dividend monster. Retirees can expect a significant boost in monthly retirement income from the stock's super-high 9.3% dividend.

If you have idle money of $20,000 to invest in Bridgemarq, your potential monthly income is $155. Assuming you want the stock to be a long-term hold, your investment will double in seven years with the same yield.

Bridgemarq has a market capitalization of $135.4 million and is currently trading at $14.28 per share. The stock is not a high flyer but has a gain of 6.25% year to date. Its business is running smoothly as well. Revenue and net income are on the rise since 2016.

With a network of 18,000 realtors operating in Canada, Bridgemarq can maintain its industry-leading position in 2020 and beyond.

Perfect timing

Timing your retirement is important if you're worried about financial dislocation due to an inadequate pension. Since you have investment income from CIBC and Bridgemarq, you can defer receiving a pension until 70 to max out your CPP.

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