



CPP Pension Users: Here's How You Can Increase Your CPP Payments by 42%

Description

A vital portion of a Canadian retiree's income is the Canada Pension Plan (CPP). You can expect to collect or receive about \$14,000 per year at age 65. The actual amount of benefits depends on how much you've contributed and for how long you've made contributions.

In reality, a significant number don't receive the maximum benefit. As of March 2019, new beneficiaries are only receiving a little over \$8,000 per year on the average. The government computes the amount for eligible recipients.

However, if you desire protection against longevity risk, you can defer receiving the pension until you're 70. In doing so, you improve your CPP payments by 42%. Also, it's advantageous to have [investment income to tide you over](#) until the CPP payments start arriving.

Blue-chip investments

Most Canadian retirees derive passive income from dividend stocks. **Royal Bank of Canada** ([TSX:RY](#)) ([NYSE:RY](#)) and **Inter Pipeline** (TSX:IPL) are among the top-tier investment choices. The pair is in the major league because of industry position and outstanding track record of dividend payments.

Royal Bank of Canada is a no-brainer buy. It's the largest bank in one of the most mature, robust, and stable banking industry in the world. The market capitalization stands at \$148 billion today. RBC pays a dividend of 4.02% with a payout ratio of less than 50%.

Assuming you have \$200,000 to invest, the annual income from dividends is \$8,020, or the same amount new CPP beneficiaries receive on the average. Potential earnings can be higher, since RBC has been raising dividends two times a year since 2017 (at a 7% CAGR).

An added comfort is that RBC has a record of 149 consecutive years of dividend payments. The period is inclusive of World War I, World War II, the Great Depression, and the recent 2008 financial crisis.

The financial muscle of RBC allows it to spend billions to make strategic acquisitions and invest in

emerging technologies to drive growth in the 21st century.

Inter Pipeline attracts dividend investors and retirement planners. This \$9.43 billion oil and gas midstream company delivers strong income earnings and offers long-term money growth.

Although the company is operating in a volatile industry, the business is low risk. About 80% of its recurring revenues come from long-term contracts with investment-grade clients. These contracts have built-in stipulations against commodity price fluctuations and inflation rate adjustments.

But the compelling reason to include Inter Pipeline in your portfolio is the high dividend. The company also boasts of a dividend-growth streak of 10 years. Currently, this energy stock yields 7.6%. Even if you're a late saver or are in [catch-up mode](#), your retirement savings can grow faster.

It will take fewer than 10 years for a \$500,000 investment to grow to a million. An investment of \$185,000 can produce an annual income of \$14,060, which is equivalent to the maximum benefits of the CPP.

Enhanced CPP payments

Deferring your CPP payments until 70 means a 0.7% increase for every month of delay past age 65. It translates into a 42% pension enhancement. Meanwhile, the dividends from RBC and Inter Pipeline can cover your financial needs. The risk of outliving your money during retirement lessens significantly.

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