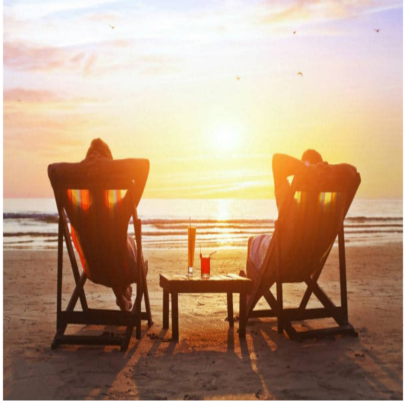

Retirees: Lessen Your Reliance on CPP and OAS by Buying Dividend Stocks!

Description

The vast majority of Canadians rely on CPP and OAS to pay their bills in retirement. Unfortunately, many are learning that the benefits just don't cut it.

On average, CPP pays $679 per month, while OAS pays a maximum of $613 a month. Both combined is not enough to live on in most Canadian cities, and while annual CPP benefits can be increased by waiting longer to take them, the longer you wait, the fewer total years of benefits you get.

In light of this, retirees and soon-to-be retirees need to think long and hard about establishing their own investment portfolios to lessen reliance on CPP and OAS.

By investing in income-producing investments like bonds and dividend stocks, you can establish a quarterly (sometimes even monthly) income stream that supplements your government benefits. There are even ways to avoid paying taxes on your investment income, such as by holding your investments in a tax-free savings account (TFSA).

By establishing a portfolio of dividend stocks, you lessen your dependence on CPP and OAS by building up your own passive income stream. Here's how much you can earn.

How much income you can earn

The market-cap weighted average dividend yield of the **TSX Index** right now is about 2.8%, which means you'll earn $2800 a year for every $100,000 invested if you buy a representative slice of the Canadian markets. That's a pretty decent income supplement right there, but you can do much better.

By buying a high-yield stock like **Enbridge Inc** (TSX:ENB)(NYSE:ENB), you can earn as much as $6000 a year with $100,000 invested.

How is that possible?

It's all thanks to Enbridge's extraordinarily high dividend yield. Scheduled to pay out $3.24 in annual dividends on shares that cost $53.96 as of this writing, the stock has a whopping 6% yield. That's more than double the TSX average, and the stock's yield was even higher at certain points last year.

You can even see your income grow!

Another thing worth mentioning about dividend stocks is that–unlike bonds–you can see your dividend payouts grow over time, potentially resulting in a stream of significant and *rising* passive income.

To return to Enbridge for a moment:

Its compound annual dividend growth rate over the past five years has been 17.5%. Over a 20-year time frame, its payout has increased by 12% a year. That's an extraordinary rate of growth, and it's been produced by a stock that already has a monster yield. So if you buy $100,000 worth of Enbridge today, you could potentially be getting *more* than $6000 a year in income in the future.

Enbridge isn't the only dividend stock that has seen its dividends grow over the years, either. Plenty of Canadian stocks in industries like banking, utilities and telecommunications have long-term track records of raising their payouts over the years.

One such company, **Fortis Inc**, has raised its payout every single year for 46 years straight. With dividend investing, the sky is the limit. It can also help you lessen your dependence on those CPP and OAS payments that never seem to be quite enough.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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