



How to Retire Comfortably on Just CPP and OAS Payments

Description

Time creeps up on some folks and then they have to face an unfortunate reality. They haven't put anything aside for retirement, and something is forcing them to give up work.

This happens to plenty of people; it's nothing to be ashamed of. The fact is there are a million expenses that might get priority over saving for retirement, including paying off the house, sending the kids to school, or even spending a little money on yourself.

If you listen to the pundits, they'll all tell you something similar. You're in pretty rough shape without at least [\\$1 million](#) in the bank by the time you retire. Ideally, you'll need even more. I've seen people suggest you'd need \$2 or even \$3 million to retire comfortably.

I disagree. In fact, I think it's possible for a couple to retire relatively comfortably on just their Canada Pension Plan (CPP) and Old Age Security (OAS) payments. Here's how you can pull off this minor miracle for your own retirement.

CPP/OAS expectations

First off, let's talk a little bit about how much you can expect to earn from CPP and OAS. Assuming you and your spouse each qualify for the maximum benefit and you retire at the standard age of 65, you'll end up earning just under \$1,800 per person on a monthly basis. That translates into a household income of more than \$40,000 per year.

However, most Canadians don't qualify for max CPP contributions. This means that on average, you're looking at a retirement income of around \$15,000 per year. Your spouse would likely end up with something similar, meaning your total household income would be around \$30,000.

The good news is \$30,000 will likely go pretty far. Remember, you'll save money in retirement because you don't have to go to work — which costs money to commute — and you'll be able to keep all of your income. It's easy to really [minimize your taxes in retirement](#), especially if you don't have much income.

Government programs

There are dozens of government programs to help out low income seniors, with services offered by local, provincial, and the federal government. Take some time to research these programs and you'll be amazed at what you can find.

One program that you'll immediately want to look into is Guaranteed Income Supplement (GIS). GIS gives up to \$916 per month to low-income seniors, although you'll only qualify for the full amount if you don't have any CPP earnings.

It effectively replaces your CPP pension if one spouse didn't work outside of the home. Even if you do qualify for a smaller CPP pension, you still might still get GIS.

Move

Moving to a smaller community can really help you stretch meager retirement savings. A \$30,000 family income isn't going to get you very far in Toronto, but it'll stretch a little more in places like Niagara Falls, Sudbury, and Thunder Bay.

Going somewhere cheaper has other benefits, too. Transportation will cost less because you don't have to drive as far to go get groceries or go to the doctor. Fewer entertainment options will keep dollars in your pocket.

I live in a small town in Alberta where subsidized seniors apartments rent for approximately \$500 or \$600 per month for folks with low incomes. It's much easier to make ends meet when your rent is that cheap.

Moving also allows you to sell the house and then invest that income — another easy way to increase your cash flow.

The bottom line

While it might take a few drastic steps — like leaving the city for a much cheaper small town — I think it's possible to have a pretty comfortable life on just the average CPP and OAS payment.

Depending on how many government programs you qualify for, you might even have a little extra money left over for travel or spoiling the grandchildren.

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Date

2025/09/08

Date Created

2020/02/08

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