CPP 2020: 3 Huge Tips for Retirees

Description

The Canadian federal government has made changes to respond to increased pressures on retirees and seniors in Canada. In previous articles I'd discussed how the shift in demographics is set to bring about unprecedented social change. By 2031, Statistics Canada estimates that roughly 25% of Canadians will be over the age of 65.

Will the enhanced CPP be enough?

In response to these changes, the federal government has tweaked the Canada Pension Plan. Starting last year, the CPP enhancements announced in 2016 will be gradually phased in over six years.

The plan aims to address the risk of retirement income shortages by increasing the maximum annual pension benefit from approximately 25% of preretirement eligible income to 33%.

Retirees may also be able to rely on OAS and the GIS. However, as these are funded from general tax revenue, this could change with future legislation.

The cost of living has continued to increase in Canada and the rest of the developed world. Canadians who hope to live a comfortable retirement need to gear up for what may be an uncertain future. Today I want to discuss three tips that can help retirees moving forward.

Construct a financial plan

While building a financial plan may seem daunting, it's just a list of things that are important to you in the here and now. Ideally, a financial plan will help you save to meet your short and long-term goals, protect your financial future and those of your loved ones, and maximize your estate.

You don't have to go on this journey alone either. You can construct a plan with a spouse, another loved one, or through a financial planning tool online.

Collect tax-free income

Many Canadians are struggling to put away savings for retirement and will not have near enough in their RRSPs to collect a suitable income in the long term.

That doesn't mean that other registered accounts don't have uses for those looking for relief. The TFSA can be used by retirees and boasts great flexibility.

All capital growth and income in a TFSA is tax free. For example, a $10,000 investment in a stock like **TransAlta Renewables** would give a shareholder access to a monthly dividend payout.

Right now, TransAlta offers a monthly distribution of $0.07833 per share, which represents a strong 5.4% yield. That would net a retiree over $500 in tax-free income annually.

Look for savings everywhere

Money is tight for many Canadians right now. Recent surveys have shown that nearly half of Canadians are fighting to keep up with their bills.

This can be especially stressful for retirees who have a mostly fixed income. In this instance, those nearing retirement or already a retiree should look for savings in all areas of their life, which may include downsizing.

Downsizing can simplify your life in retirement and reduce your home-maintenance and utility costs. Retirees who are homeowners are also in an opportune time to sell.

Home valuations have skyrocketed in Canada over the past decade, and now is the perfect time to "take profits" – if you want to look at it from an investment angle.

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