



## TFSA Investors: Can You Retire on OAS and CPP Pension Payments and ZERO Savings in the Bank?

### Description

Many Canadians are heavily in debt, with little to no savings in the bank. For those old enough to be eligible for OAS and CPP pension payments, there's still hope of retiring before the age of 70. But just what kind of retirement lifestyle can be supported with OAS and CPP payments alone? And what would be recommended for someone with limited financial resources outside of the social security safety net?

Having zero savings in the bank is less than ideal when you're close to the expected retirement age of 65. But you need not panic as you can receive CPP payments as soon as 60 and OAS payments at 65.

The average CPP payout is shy of \$680, with OAS payments averaging under \$620 per month. Summing up the averages of these two sources of income and you'll get \$1,300, which is barely enough to make ends meet in a given month.

If you're an older retiree who's eligible to receive full OAS benefits, you could theoretically live off just CPP and OAS payments, with no savings in the bank. But let's face it, for the average Canadian, it's going to be almost impossible to be financially independent with OAS and CPP payments alone, especially if you live in a big city or have sizeable financial obligations like a mortgage.

### Put extra cash to work

While you probably won't be able to meet all of your monthly financial obligations, your OAS and CPP payments will serve to relieve a considerable amount of your financial pressures, which could allow you to save up more cash from a potential part-time job or side hustle. You can then use that cash to form an income stream that can supplement your CPP and OAS payments.

My colleague and fellow Fool contributor Kay Ng recently outlined that OAS and CPP payments are [not enough](#) for the average retiree to retire comfortably. She also urged later-in-life savers to contribute to their TFSAs and RRSPs while using the proceeds to invest in dividend stocks.

She's right. When it comes to saving, it's better to be late to the party than not to show up at all.

I'd like to take it a step further by noting that pensioners would be better-served by maxing out their TFSAs first, as it's an account with fewer strings attached and won't result in a future scenario where the Canada Revenue Agency (CRA) will come knocking with a bill for tax that was saved in the past.

A TFSA income stream alongside OAS and CPP payments can allow you to retire comfortably.

Kay suggests that investors not compromise on growth when investing in dividend stocks to ensure retirees get frequent raises. While ideal, late savers may not have a choice but to take a rain cheque on growth to get the maximum possible yield they can.

If you can settle for a lower yielder to get better growth, please do. But if you're a late saver and need a big income supplement now, there's no shame in shooting for high-yielding securities like royalty funds (**Pizza Pizza Royalty**, with a 9% yield), REITs (**American Hotel Income Properties**, with a 12.4% yield), or specialty income ETFs (**BMO Canadian High Dividend Covered Call ETF**, with a 6.9% yield).

## Best of both

Higher yields come at the cost of either growth or safety. It's in the best interest of retirees to compromise on growth and not safety, but for those with the risk tolerance and time to put in the homework, it is possible to [have one's cake](#) (colossal dividend yield) and eat it too (safety and growth).

Although it's not recommended to take on financial risks in your 60s, I'd argue that not taking any risks with an overweighting in fixed income securities is the greatest risk of all, given today's rock-bottom interest rate environment.

As such, I'd encourage late-to-the-party retirees to do their best to construct their TFSA income streams to supplement their OAS and CPP payments in (semi-)retirement, so they can sustainably reach financial independence despite being a late saver!

The TFSA is powerful and can help you retire a heck of a lot faster than you'd think!

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joefrenette

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