2 Ways to Retire in Comfort With Just CPP and OAS Payments

Description

This past week I'd discussed some tips for retirees, as CPP enhancements are set to continue into the middle of the 2020s.

While the move by the federal government is understandable given the financial pressure felt by Canadians, there's no guarantee that this will be enough for citizens without other streams of income.

For seniors, there is also Old Age Security (OAS). In order to be eligible for OAS, you must be 65 or older, be a Canadian citizen or legal resident, and have resided in Canada for at least 10 years since the age of 18.

Ideally, investors will have an additional pension or will have contributed to an RRSP that they can rely on in retirement.

Recent surveys have shown that there are many over the age of 50 who have failed to contribute to an RRSP, or have an inadequate amount saved for retirement. In this case, retirees may struggle to adjust after leaving their work life.

Today I want to look at two ways you can retire comfortably with just CPP and OAS payments to rely on.

Consider downsizing

This is an option I'd discussed in the article linked above. Most Canadians will come into retirement and see their earnings shrink substantially.

Investors will often see the 70% rule thrown around as a practical guide, which means that retirees can expect to come away with 70% of their pre-retirement income. Obviously this may not be the case for those who are relying solely on CPP and OAS payments.

A survey conducted by **Sun Life** released in 2016 revealed that Canadian retirees were on average living on 62% of their pre-retirement income.

With cost of living on the rise, retirees or those nearing retirement may want to consider downsizing.

Fortunately for home owners, home values have skyrocketed over the past decade. Retirees who are homeowners will have attractive flexibility in this area — and an opportunity to walk away with a big profit from their original investment.

Additional perks of downsizing include lower or no mortgage payments, less property taxes, and lower utility, insurance, and maintenance costs. These savings can make a huge different in retirement.

Take advantage of tax-free income

Beyond the options mentioned, there is another option for retirees – the Tax-Free Savings Account (TFSA).

Whereas the RRSP must be converted for seniors, the TFSA remains the same throughout its life as an investment vehicle, which means that retirees can also use it to churn out tax-free income for years and decades to come.

Earlier this month I'd discussed why bank stocks were a balanced option for TFSA investors. One bank stock I really like for retirees is **Canadian Imperial Bank of Commerce**.

It boasts a flawless balance sheet and the best dividend yield among its peers. The stock last paid out a quarterly dividend of $1.44 per share, which represents a strong 5.2% yield.

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