# Canadian Investors: How to Retire Wealthy Without a Company Pension

## Description

Canadians have traditionally relied on company pensions, CPP pensions, and OAS pensions to cover their living costs in retirement.



The changing employment landscape in recent years has resulted in a steep decline in the number of companies that offer new employees defined benefit (DB) pensions. These pensions guarantee a payout amount every month for the balance of your life in retirement.

Falling interest rates and low bond yields make it harder for companies to generate adequate returns on funds invested to cover their DB pension obligations. As a result, those that still offer pension plans are increasingly shifting to a defined contribution (DC) system.

In this case, the employees can opt for a deduction from their salaries to go into a retirement fund and the company kicks in a matching portion on a percentage basis.

Th benefit for the employer is that the payout to the employee at retirement is based on the value of the fund, rather than being guaranteed. The risk is effectively shifted to the employee. Nonetheless, it is still a pension plan.

The rise of the gig economy and widespread contract employment now means many people do not have any work pension. Relying on CPP and OAS is unlikely to meet retirement savings goals, so people have to create their own self-directed pensions.

One strategy involves using RRSP and TFSA accounts to hold top dividend stocks. In the case of the RRSP, the contributions can be used to reduce taxable income, which is helpful for people who find themselves in the higher marginal tax brackets. The Tax-Free Savings Account (TFSA) is an attractive option for those who might prefer to save their RRSP room until they are making more money.

Ideally, investors will max out their contribution room each year in both, but that depends on the annual budget.

Which stocks should you buy?

The best companies tend to have long track records of dividend growth supported by rising revenue and ample free cash flow.

Let’s take a look at one top Canadian stock that has performed well and should continue to be a solid pick for a diversified RRSP or TFSA pension fund.

## TD

**Toronto Dominion Bank** (TSX:TD)(NYSE:TD) is a top player in the Canadian and U.S. financial sectors with strong personal banking, commercial banking, and wealth management operations.

TD has a market capitalization of $135 billion, which provides the bank with the firepower to make strategic acquisitions and invest in digital technology to ensure it remains competitive in the changing financial sector where non-bank entrants are chasing mobile and online payment revenues.

TD has a strong capital position that should ensure it can ride out the next downturn. Declining interest rates are putting pressure on net interest margins, but they also help support the housing market.



TD has a significant Canadian residential housing loan portfolio and low bond yields and falling interest rates help existing homeowner renew at manageable levels and provide an opportunity for new buyers to enter the market.

TD has raised the dividend by a compound annual rate of about 11% over the past 20 years. Future increases should be in line with targeted annual earnings-per-share growth of 7-10%. The stock currently provides a 4% dividend yield.

A $20,000 investment in TD just 25 years ago would be worth $660,000 today with the dividends reinvested.

## The bottom line

A balanced portfolio is always recommended and the **TSX Index** holds many top dividend stocks that have made long-term investors quite rich.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**
2025/07/24
**Date Created**
2020/02/13
**Author**
aswalker