



CPP Pension: Bridge the Gap Between Average and Max CPP With 1 Stock

Description

CPP pension is a boon for many Canadian citizens. It's income you can depend upon even if your retirement saving stockpile decreases. But the problem is that not many Canadians qualify for the maximum CPP pension amount. Even if you wait till you're 70 to get your first CPP cheque, it might still be far from the maximum amount you could be getting from CPP pensions.

At the age of 65, the general age of retirement and starting your CPP pension, the average payout is \$679 a month. The maximum amount you can get is \$1,175 a month, which is well over a 40% difference.

If you wait till 70, the average CPP income becomes \$964 a month, and the maximum stretch to \$1,670 a month. That's the amount you would be getting if you had contributed the maximum amount to the maximum number of years, but very few people reach this magic number.

You can't do much about maximizing the CPP pension amount apart from waiting till 70. But you can bridge the gap by creating a passive income source via a high-yield dividend stock.

The dividend stock

BTB REIT ([TSX:BTB.UN](#)) is a relatively steady REIT stock [offering a high-yield](#) of 7.72% at the time of writing. In the past five years, BTB hasn't changed its dividend payouts once and has kept up with the monthly payments of \$0.035 per share.

Some experts believe that you should have about \$1,000,000 in retirement savings for a financially cozy retirement. Some experts place the magic number below, at \$760,000. I hope that you are somewhere in between or on the higher end of this range.

If you are, you need a part of your retirement savings, \$120,000 in BTB to bridge the gap between maximum and average CPP pensions. At 7.72% yield, you will be earning \$772 a month through dividends. Combined with the average CPP income of \$964, this comes out to a sum over \$1,700, way above the maximum monthly CPP payment.

Currently, the company is trading at \$5.46 per share at writing which, compared to the real estate sector, is relatively undervalued. The company has a diversified portfolio of commercial properties with 66 retail, office, and industrial properties covering an area of 5.5 million square feet. The total worth of assets that BTB owns is about \$900 million.

BTB's dividend payout ratio is stable at 65.63%. The stock is also relatively less volatile, showing a beta of 0.71. The past year has been one of the best for BTB's market value growth, with growth of over 18%.

Foolish takeaway

A cozy retirement depends on a consistent cash flow that meets (or exceeds) your spending needs. And while CPP is a major component, it cannot be solely dependent upon.

Even if you are earning the maximum possible CPP pension, you might still need [another income stream](#) to cover your expenses. Early investments and choosing the right stocks can have the most powerful impact on your wealth growth for retirement.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BTB.UN (BTB Real Estate Investment Trust)

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