Retirees: 1 Trick to Max Out Your CPP Pension

Description

When it comes to retirement, you want your money to work for you. Canada has a couple of pension schemes that will provide retirees with a monthly payout but that's barely sufficient to meet overall expenses.

The standard of living and related costs have increased considerably over the last few years, especially in large Canadian cities such as Toronto, Vancouver, Montreal, and Ottawa. The average CPP payout for a new recipient starting pension at the age of 65 is $672.87 in 2020, while the maximum amount is $1,175.83.

If you delay CPP payouts to the age of 70, it will increase by an annual rate of 8.4%, while the average CPP payout for a new 70-year old recipient will be over $950 per month.

But most people would not want to work till the age of 70 and instead enjoy their retirement life without banking on just the CPP and other such benefits.

So, investors with age on their side need to create substantial wealth by investing in blue-chip, dividend-paying stocks. It's absolutely essential to take a long-term view of stocks because you can't afford to discount the power of compounding.

Here we look at one such high-quality stock that can be part of your retirement portfolio.

Royal Bank of Canada

Shares of **Royal Bank of Canada** (TSX:RY)(NYSE:RY) have risen by 620% in the last 20 years. This means that if you'd invested $50,000 in the stock in February 2000, it would now be worth well over $300,000 — and this is excluding the company's dividend payouts.

If you invest $50,000 in the Royal Bank of Canada right now, it can grow to about $110,000 in the next 20 years considering only its forward dividend yield of 3.9%.

If RBC can mimic its historical stock returns, your investment of $50,000 can grow to about $375,000 (including dividend payouts) in the next 20 years.

RBC is Canada's largest bank in terms of market cap. It's valued at $154.54 billion and the stock is trading at a forward price-to-earnings ratio of 11.

Despite its massive size, RBC is expected to increase earnings by 5.1% over the next five years. Analysts also forecast its sales to grow by 2.4% in 2020 and by 4.6% in 2021.

RBC is a domestic giant trading at an attractive valuation and is a solid long-term pick. The company's dividend payout ratio stands at 46.5%, giving it enough room to increase dividends over the next few years.

However, it's advisable to have such a huge exposure to a single company. Rather, you can diversify your portfolio by adding stocks with strong fundamentals, robust cash flows and a low beta guaranteed to increase shareholder wealth.

The verdict

Saving for retirement needs to be a top priority for most individuals, especially if you want to have a stress-free life. You can live off the dividends from these stocks after creating a massive wealth pool and look to withdraw your CPP at the age of 70.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/29
Date Created
2020/02/21
Author
araghunath