It's a Terrible Idea to Retire With JUST Your CPP Pension and OAS

Description

Do you have anything besides your Canada Pension Plan (CPP) and the Old Age Security (OAS) payments lined up for your retirement? It is essential to ask yourself this question because both the retirement savings programs can only partially cover your retirement income requirements.

Yes, the payouts from both programs can create a solid foundation for your retirement income. Many Canadian retirees make the mistake of relying only on their CPP and OAS payments. If you ever talk to a financial planner, they will recommend that you have alternative sources of income during retirement.

Partial coverage for retirement

Assuming you are going to blow the candles on your 65th birthday in 2020, here is a rough idea of the retirement income you can receive through CPP and OAS payments. The maximum CPP payout Canadian retirees can get, according to the latest figures, is $1,175.83 per month.

Most Canadian retirees, however, are not eligible to get the maximum amount. As of the past October, the average monthly CPP payout was just $672.87 per month.

The OAS program's payments depend on how long you've lived in Canada after the age of 18. You need to have lived in the country for at least 10 years, so you can be eligible to receive OAS payments. If you want to get the maximum payout from your OAS, you need to live in Canada for at least 40 years.

Based on current figures, the maximum amount you can get through OAS payouts is just $613.53 per month. If you've lived in Canada for only 20 years after turning 18, you are eligible to get half the amount — i.e., $306.76 per month.

You stand to receive an average total of less than $1,000 based on average amounts. If you are eligible for the maximum amount for both programs, you can get a payout of less than $1,800 per month. Even that amount is subject to retirement. Do you think that would be enough to offer you a comfortable life in retirement? I wouldn't think so either.

Plan and invest intelligently

When you’re planning for retirement, you must plan and make intelligent money moves to secure alternative sources of income. The ideal way to create a secondary income-generating stream is through investing in the stock of dividend-paying companies and holding the shares in a Tax-Free Savings Account (TFSA).

A stock like **Capital Power** could present you with an ideal opportunity to supplement your retirement income for a more comfortable life in retirement. Capital Power is a power production firm operating in North America through numerous assets in Canada and the U.S.

The stock is trading for $37.93 at the time of writing, offering an attractive dividend yield of 5.08%. The company has strong prospects for growth and robust fundamentals that allow it to create reliable and predictable cash flow. Allocating some of the contribution room in your TFSA to shares of Capital Power can enable you to earn significant passive income through its dividend payouts.

Foolish takeaway

Supplementing your OAS and CPP can help you earn a retirement income to make the most of the best years of your life. Investing in safe dividend stocks like Capital Power and holding the shares in your TFSA can help you earn tax-free income from your investments.

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