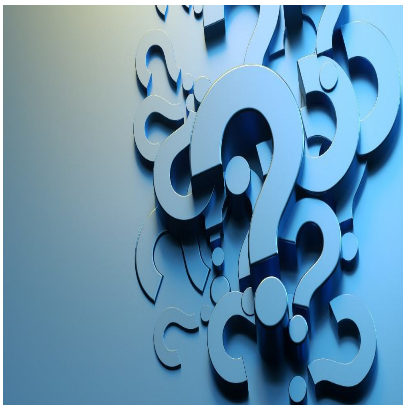

Retirees: Will a Market Crash Put Your CPP and OAS at Risk?

Description

The past couple of weeks have seen investors become frightened as the gears start turning for a stock market crash. The coronavirus pandemic is catalyzing the possibility of a global economic slowdown. **Apple** cut its revenue guidance, and **Goldman Sachs** indicated corporate earnings growth to slow down to 0%, resulting in a significant market pullback.

The **S&P/TSX Composite Index** is volatile right now. It's down 7.75% from its February 2020 peak, at writing. If you have any investments in different publicly traded companies, your wealth might have taken a substantial hit. As a retiree, you might understandably be getting worried about your pension plans as well.

The most notable points of concern are the Canada Pension Plan (CPP) and Old Age Security (OAS) payments. Both programs account for the primary income sources for Canadian retirement income. If you happen to have an employer pension plan, a market crash might not have a drastic impact on your retirement income.

Today I'm going to discuss the possible impact a market crash could have on your CPP and OAS, and what you can do to mitigate the effects on your retirement income.

Old Age Security

The OAS is likely to remain unaffected by a stock market crash. This retirement plan is funded by the tax revenues of Canada's government. It doesn't have payouts concerned with investment funds. While a stock market crash can affect tax revenues, the government can offset the loss through increased taxes or by borrowing money.

The government will likely continue disbursing OAS payouts without interruption in the event of a market meltdown.

Canada Pension Plan

The CPP differs from the OAS because it's funded by an investment portfolio. Theoretically speaking, there is a chance a severe market crash can affect the CPP. The CPP fund relies on dividend and interest income from an investment portfolio managed by the CPP Investment Board.

Realistically speaking, the government might make up for any shortfall by increasing premiums for the plan instead of cutting payments. In the worst-case scenario, it is possible that your CPP payments can be cut.

How to protect your retirement income

If you're concerned about a market crash putting your retirement income in turmoil, the first thing to do is to compose yourself and work on a strategy. The OAS and CPP are both highly reliable government retirement pension plans. You can build a recession-resistant portfolio to reduce the risk to your overall retirement income.

Consider investing in the shares of a non-cyclical stock such as utilities. An investment portfolio of assets such as **Emera Incorporated** (TSX:EMA) stock could be a safe option with which to start.

Emera is a publicly traded utility company with operations across North America. The stock fell by 6.64% between February 21 and February 28, 2020. It bounced back by almost 6% and is trading for $59.91 per share at writing. The stock has a juicy 4.09% dividend yield and can easily sustain its dividends.

The company's management is continually pursuing improved profit margins by increasing regulated projects. The company has increased its dividend by a 9.6% compound annual rate since the start of 0of 2015. The company is likely to earn a stable income through a recession or a meltdown.

Foolish takeaway

If you're concerned about the effects of a market crash on the two primary income sources for retirement, you should consider creating alternative sources of passive income.

Investing in dividend-paying assets like Emera could help you build a recession-resistant portfolio that pays you juicy dividends.

CATEGORY

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1. TSX:EMA (Emera Incorporated)

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