Retirees: Can You Survive on Your CPP and OAS Pension Alone?

Description

Enjoying retirement life is hard if your retirement income or financial resources is inadequate. In Canada, can retirees survive on only the Canada Pension Plan (CPP) and Old Age Security (OAS) pension? The question has become more relevant in today's challenging times.

Relying on the CPP and OAS for sustenance when recession comes could be tougher, however. Canadian Prime Minister Justin Trudeau expressed recently the government's concern about retirees whose retirement savings might have evaporated due to the coronavirus-induced stock market crash.

Combined pension amount

For 2020, here is the average combined monthly payout would-be retirees can expect from the CPP and OAS. The average CPP monthly payout is $672.87, while the maximum OAS monthly benefit is $613.53. The sum total is just $1,286.40.

People nearing retirement are probably having second thoughts as news that a deep recession is coming. Many will be pushing retirement schedules until 70 or at later dates because of current events.

A retiree can probably subsist on the said total with smart cash management. However, many would find it difficult to stretch out the monthly pensions. To be in a safer spot, it would be better to have other sources of retirement income to augment the CPP and OAS.

Suitable investment vehicle

Retirees must have the comfort of cash inflow during the sunset years. The retirement period can be longer than usual because the average life span for Canada in 2020 is 82.52 years. If you're a retiree, the last thing you need is anxiety and emotional stress due to financial dislocation.

The most suitable investment vehicle for baby boomers and would-be retirees is still the Tax-Free Savings Account (TFSA). This unique and pioneering account enables users to grow money while benefiting from tax advantages. All interest earnings, dividends, or other gains from acceptable assets are tax-free.

Possible investment choice

The unfortunate thing about today's market is the heightened volatility. If you're invested in **Canada Western Bank** (TSX:CWB), you shouldn't be selling at a loss. This bank stock is losing by 33.01%, although the dividend yield is a high of 5.5%.

Assuming your $6,000 TFSA annual contribution limit for 2020 is free, your money can produce a passive income of $330.

At $21.09 per share, Canadian Western should be the cheapest bank stock to own for prospective retirees with spare money to invest. Unlike other companies, Canadian Western Bank hasn't announced any dividend cuts.

For now, the 36.3% payout ratio on estimated earnings and 27.7% payout ratio on estimated cash flow is safe. Canadian Western is also helping its small and medium-sized business clients to cover non-deferrable operating costs through the Canada Emergency Business Account.

Do not panic

Instead of panicking, retirees and would-be retirees should be assessing their financial standing. Prioritizing health, managing the cash flow and riding the economic downturn are the must-dos.

But if there's money to invest in the TFSA, find a suitable investment that can deliver passive income. The important is to have other income sources to supplement your CPP and OAS pension.

In the current pandemic, the Canadian Western Bank appears stable enough to endure the crisis.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/04/16
Author
cliew