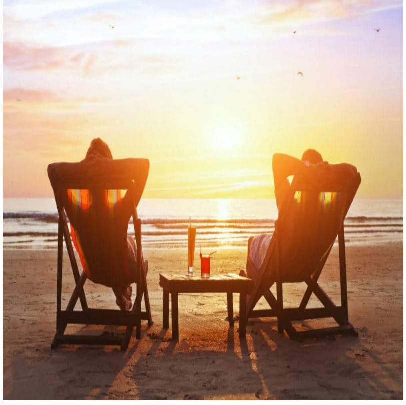

Retirees: How to Boost Your CPP Pension in 2020 and Beyond

Description

The Canada Revenue Agency (CRA) has a couple of retirement plans for Canadians. These plans provide retirees with a monthly income that depends on a variety of factors. The Canada Pension Plan (CPP) is a monthly, taxable benefit and aims to replace a part of your income on retirement.

To qualify for the CPP, you need to be at least 60 years old with at least one valid contribution to this pension plan. According to the CRA website, "Valid contributions can be either from work you did in Canada, or as the result of receiving credits from a former spouse or former common-law partner at the end of the relationship."

The monthly pension amount is based on your contributions to the CPP, average earnings throughout your working life and the age at which you decide to start these payouts. Contributions to the CPP are based on your annual earnings.

Canadians can choose to start CPP payments as early as 60 or delay it till the age of 70. The standard age to start the pension in 65. In case you start CPP payouts at the age of 60, the monthly amount will be smaller. Conversely, if you decide to delay pension payouts the monthly payment will be higher.

For 2019, CRA states that the maximum monthly amount a new recipient starting pension at the age of 65 is $1,154.58. The average monthly payout amount stands at $679.16. You can work while receiving a CPP retirement pension. However, we can see that depending solely on these payouts is not a viable option.

When you retire, you want your investments to work for you. Creating a portfolio of high-quality dividend stocks is one such way to generate a robust stream of recurring cash flows.

How to supplement your CPP pension?

In times when bond yields are nearing record lows, equity investments remain the ideal bet for long-term investors. The current pullback in the Canadian stock market means several stocks are trading at attractive forward yields.

Top-quality dividend stocks with strong fundamentals are unlikely to suspend dividend payments even during these uncertain times. One such stock that can supplement your CPP pension is **Canadian Utilities** (TSX:CU). Utility companies are recession-proof, making them a safe bet during economic downturns.

CU has a diversified base of assets and generates revenue from electricity and natural gas. Over 92% of its total revenue is regulated, making it a winning bet amidst the current volatility.

Canadian Utilities has a market cap of $9.2 billion with an enterprise value of $19.2 billion. It is trading at a price-to-sales ratio of 2.5, given the company's estimated sales of $3.63 billion in 2020. CU has a forward price-to-earnings multiple of 16.7 which is reasonable given the company's forward yield and safe dividend.

Canadian Utilities stock is down 21% below its 52-week high, which has increased forward yield to a tasty 5.2%. CU has increased dividends for 48 consecutive years and has the longest dividend-paying streak among Canadian companies. Its payout ratio stands at 60%, making a dividend cut very unlikely.

Retirees investing $100,000 in Canadian Utilities will generate close to $5,160 in annual dividend payments. While this is just an example of a top dividend stock, investors need to diversify their portfolio. They need to identify similar companies with strong fundamentals, robust cash flow and juicy dividend yields to supplement their CPP payments.

CATEGORY

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