Retirees: How to Boost Your CPP Pension Payouts

Description

The Government of Canada has a couple of pension plans for Canadians. The Canada Pension Plan (CPP) is a monthly taxable benefit. It aims to replace a part of your income on retirement. To qualify for the CPP, you need to be above the age of 60 with at least one valid contribution to the CPP.

How is the CPP calculated, and how much will you receive in monthly payouts? The amount of your CPP retirement pension depends on a lot of factors, such as the age you decide to start pensions, the amount and length of your contributions, and the average earnings throughout your work life.

In 2020, the maximum monthly amount a new recipient starting pension at the age of 65 is $1,175.83. The average monthly amount in January 2020 was $735.21. You can get an estimate of your CPP retirement pension payments by logging into your My Service Canada Account.

Canadians can qualify for the CPP post-retirement benefit if they continue to work while receiving these payouts and decide to continue contributing to the pension plan. This means each additional year of contribution to the CPP will result in incremental post-retirement benefits.

However, it is not advisable to just depend on your CPP payouts for a comfortable retired life. If we take the average CPP payment of January 2020, annual pension payments will be just over $8,800. You need to supplement your pension payouts with another stream of recurring income.

Invest in dividend stocks and supplement your CPP

One of the best ways to ensure a predictable stream of recurring income in retirement is by investing in dividend stocks. Retirees can look to invest in the **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF** (TSX:CDZ). This ETF has exposure to Canadian dividend-paying stocks.

Companies that are part of the CDZ have increased cash dividends in the last five consecutive years. Further, these companies pay monthly dividend income. The top three holdings of the CDZ are as below:

Enbridge accounts for 2.4% of the CDZ. Trading 25% below its 52-week high, Canada's energy giant has a forward yield of 7.3%. Though Enbridge is in the energy space, its diversified business segments and contract-based business model makes it somewhat immune to falling commodity prices.

TransAlta Renewables accounts for 2.4% of the ETF. It is currently trading at $13.78, which is 25% below 52-week highs. TransAlta provides utility services and is somewhat recession-proof. Its dividend yield of 6.8% coupled with an expanding addressable renewables market make it a top pick for long-term income and growth investors.

Fiera Capital accounts for 2.2% of the CDZ, and the stock is trading at $8.9, which is 32% below its 52-week high. This pullback has increased Fiera's dividend yield to a tasty 9.4%. Fiera is an asset management company and remains vulnerable in a volatile market.

If you invest $10,000 each in these stocks, you can generate annual dividends of $2,350. These are just an example of a few companies in the CDZ. The ETF has a forward yield of 5.83%, which means you can generate close to $5,800 in annual dividend payments on an investment of $100,000.

The recent market correction provides long-term investors with an opportunity to grow wealth via capital appreciation as well, which should help secure their retirement.

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