Retirees: 1 Awesome Trick to Max Out Your CPP Pension

Description

Retirement is expensive. It's even more so if you are living in large Canadian cities such as Toronto or Vancouver. While the Government of Canada has a couple of pension plans for Canadians, are they enough to lead a comfortable life when there is no other source of income?

The Canada Pension Plan (CPP) is a monthly taxable benefit. It aims to replace a part of your income on retirement. The average monthly payment for Canadians starting CPP payouts at the age of 65 is $679.16. The maximum CPP payment for 2019 is $1,154.68. Comparatively, the Old Age Security (OAS) is the country's largest pension program. The maximum OAS payout for 2019 stood at $613.53.

This means the maximum monthly payout on retirement is $1,768.21. You can delay CPP payments and increase pension benefits. For example, in case you want to receive CPP payments at 70, the payout might rise by 42% or by 8.4% for every year you delay these benefits.

However, the reality is, pension amounts are insufficient to cover your financial requirements during retirement. This is why you need to maximize your TFSA (Tax-Free Savings Account) and RRSP (Registered Retirement Savings Plan) contributions and increase wealth over the long term.

The total TFSA contribution limit stands at $69,500. You can also contribute 18% of your annual income to the RRSP. These contributions should be allocated to buy top-quality dividend stocks that can help secure your retirement.

Dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB) not only pay dividends but also help to build a retirement nest egg via capital appreciation.

Enbridge is ideal to supplement your CPP payout

Enbridge stock is trading at $44.2. Its annual dividends of $3.24 per share indicate a forward yield of 7.33%. This means a $100,000 investment in Enbridge stock will generate $7,330 in annual dividend payments. In the last 10 years, the stock has also gained close to 90%. Enbridge shares are currently trading 23% below record highs.

Enbridge is part of the energy sector that is volatile due to low oil prices. Further, lower-than-expected demand due to the ongoing COVID-19 pandemic has driven shares to multi-year lows. But Enbridge is an integrated energy company and not an oil producer.

It transports close to 25% of all oil produced in Canada and the United States. In the U.S., it also transports 20% of the country's natural gas. Enbridge is largely immune to commodity prices. However, it remains vulnerable to lower oil volumes. The COVID-19 slowdown is likely to be a near-term headwind. As lockdowns ease, the demand for oil will push prices higher in the second half of 2020.

In the last two years, Enbridge sold close to $8 billion in non-core assets. This has helped strengthen its balance sheet. Its increasing focus on the regulated sectors will result in stable and predictable cash flows. Further, the energy giant has also invested heavily in natural gas utility assets as well as high-growth renewable energy facilities.

Currently, over 90% of Enbridge's EBITDA is secured via long-term contracts. In 2020, the company has forecast cash flows between $4.5 and $4.8 per share. This indicates a dividend-payout ratio of less than 70% at the midpoint estimate.

Your retirement will be secure if you start investing in quality stocks such as Enbridge. Dividends from such companies can help delay CPP withdrawals and increase supplement these benefits to a certain extent.

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