



Are Your CPP Pension Payments Safe After This Market Crash?

Description

The coronavirus is still around after nearly three months of border closures and nationwide lockdown. There are 85,710 confirmed cases in Canada so far and we're nearing 5.5 million worldwide. Health officials are still reporting new cases of infections.

People are worried about their financial futures. Retirees in particular are a [nervous lot](#) these days. The worry is about the Canada Pension Plan (CPP). Many investments of pension fund managers have shrunk in value. Retirees are asking if the CPP payments are safe after the colossal market crash in 2020.

Assuring words

The Canada Pension Plan Investment Board (CPPIB) manages the CPP fund on behalf of pensioners or users. March Machin, president of CPPIB, has a message regarding the safety of CPP contributions. He said in April 2020, "This is one thing they should take off their list to worry about."

He added, "The fund is in strong shape. It was designed to weather these types of significant market downturns once in a while." Machin isn't sure yet about the full extent of the damage by COVID-19. He is aware it will affect the global economy and have a bearing on global investors like the CPPIB.

Critical strength

The CPPIB head wants to assure the 20 million Canadians that the CPP portfolio is highly diversified. Regular investors will find it hard to match the CPP's return on investment. The fund was \$36.9 billion 21 years ago and is now at \$420.4 billion, or a 1,039.3% increase.

Machin cites three factors that give the CPP fund critical strength — size, soundness, and governance structure. It allows CPPIB to navigate market volatility where other investors fail.

The CPP fund lost 18.8% in value in one year during the Global Financial Crisis. Six years later, the

fund's investments gained 18.3% in one year alone. CPPIB's long-term investing strategy delivers more than a 10% return.

Fill the gap

Retirees must understand that the enhanced CPP will only replace 33% of an average income. Thus, if you want more financial stability or desire a more comfortable retirement, you have to [fill the gap](#). The keys to building a nest egg are saving and investing.

Your money will not grow if you hoard cash. If you invest the money in dividend-paying, blue-chip stocks, you can create income that can sustain you for years. **Canadian Imperial Bank of Commerce** is paying a 7.09% dividend, although the bank stock is losing by 28.47% thus far in 2020.

Income investors won't mind the depressed price if the intention is to have a steady income stream. At the present yield, any investment amount will double in a little over 10 years. A \$100,000 investment will produce \$7,090 in passive income. Reliability shouldn't be a problem, as CIBC has been paying dividends for 152 years.

Final word

The actuarial report released by the Chief Actuary of Canada in December 2019 should allay all fears. Your CPP continues to be sustainable for more than 75 years. The CPP will be solvent when you retire. The only action left to do is to supplement your pension with investment income. Only then will you have the confidence to retire.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

Date

2025/08/25

Date Created

2020/05/30

Author

cliew

default watermark

default watermark