CPP Pension Users: 3 Harsh Realities About Retirement

Description

Several ingredients make up a happy, fulfilling retirement. If you have the right mindset, it will boost your confidence and accelerate your readiness. However, you must know the harsh realities of retirement. Otherwise, you’re in for the biggest surprise of your life.

Health is wealth

Retirement life won’t be fun if you don’t have a sound mind and a healthy body. Health is as precious as wealth in the sunset years. You might have abundance in retirement savings but lack the energy and physical strength to enjoy your material wealth. Take care of your health, and your money will take you to places you want to go.

CPP is not enough

The truth is out. Based on experience, retirees are discovering that you can’t subsist on the Canada Pension Plan (CPP) alone. Your CPP contributions are useful to replace only 33.3% of average income.

Add the Old Age Security (OAS), and still, it won’t be enough. Think about it. Where will $1,286.40 per month (CPP + OAS) bring you? Even the budget-conscious retiree will need a miracle to stretch out the limited pensions.

Health has a link to retirement. Others claim the CPP earlier than 65 due to poor health. However, the consequence is a lower CPP payment. You will reduce your payout by 7.2% for every year of withdrawal before age 65. Conversely, if you delay until age 70, you increase your CPP by 8.4% for every year after 65.

Another reason to collect CPP is financial need. You increase your chances of economic dislocation if you have zero savings or no other source of retirement income.

Pay a heavy price for procrastination

The lion's share of a retiree's income is not the CPP but from a different source. Ideally, you should be preparing 20-25 years before 65, which is the realistic retirement age. But procrastination is the hindrance of most. If you missed out on saving early, you won't have the luxury of time.

The problem with late planning is that you might have to work several years longer to save. For those with little savings, the recourse is to invest in high-yield stocks to grow your retirement fund faster.

Slate Retail could be your life saver. This $362.5 million real estate investment trust (REIT) is a paying a mouth-watering 13.77% dividend amid the pandemic. Your $50,000 savings will generate $6,885 in passive income. Likewise, your investment will double in fewer than five-and-a-half years.

This REIT is not having cash flow problems during the health crisis. Since its anchor tenants are predominantly grocery stores, Slate is thriving. About 75% of the tenants are open and doing business. Rent collection is not an issue, as payments are nearly 100%. As tenants in U.S. states are reopening, cash flow will increase.

Slate is a screaming buy because, at only $8.84 per share, you can accumulate as many shares with limited capital. There's also growth potential post-pandemic when normalcy returns.

Whole new world

The retirement phase is a whole new world with dramatic changes. You should prepare mentally, physically, and financially to enjoy the perks.

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