Retirees: 3 Ways You Can Boost Your Retirement Savings!

Description

If you're retired, you might wonder how you can boost your savings without employment income. When you're still working, it's easy enough to put away part of your paycheque in an RRSP. When you're already retired and drawing on savings, that gets a lot harder. CPP only pays about $640 a month on average, while OAS maxes out at $613.5. With the two together, you're lucky if you reach $1,300 a month. If you don't have an employer-sponsored pension on top of that, drawing down savings can seem inevitable.

According to *Benefits Canada*, the average Canadian retiree has $2,611 a month in expenses. $1,300 a month in CPP and OAS barely gets you halfway there, and on top of that, both of those benefits are fully taxable. Most likely, you'll need to supplement those payments with savings.

That doesn't mean you can't still increase your savings every year, however. As you're about to see, if you finance your spending with dividends instead of cash savings, you can generate income *and* watch your savings grow at the same time. In fact, you can even get some income tax-free.

Here's how.

Leave your money in your RRSP

The first thing you want to do to boost your retirement savings is keep money in your RRSP as long as possible. There are two reasons for this. First, the longer you leave money in your RRSP, the more tax-free compounding you can enjoy. Second, if you're still working part time, you can withdraw at a lower tax rate if you postpone withdrawals until after you're done working. Under CRA rules, you can delay withdrawing from your RRSP until age 71. If you can afford to wait that long, it pays: lower taxes and more compounding pay off in the end.

Take CPP at the right age

The second thing you want to do to boost your retirement savings is take CPP at the right age.

Generally, CPP pays more if you wait longer to take it. However, you get more years of benefits if you take it early. It's a tradeoff you'll need to weigh the pros and cons of yourself. If you want to avoid drawing down savings, then taking CPP early may make sense, because it's an income stream that offsets the need to spend your savings. However, if you plan to spend most of your 60s working part time, you may be able to wait until 70 to take CPP and enjoy the higher payouts.

Invest in a TFSA

A final way to boost your retirement savings is to invest in a Tax-Free Savings Account (TFSA). A TFSA is a tax-free account that lets you not only grow but also withdraw your money tax-free. Tax-free withdrawals are a benefit you don't get with RRSPs, making TFSAs worth considering, even for those who are already regular RRSP contributors.

By stashing dividend stocks like in a TFSA, you can establish an income stream that could help you finance your retirement.

To illustrate this, let's imagine you hold $50,000 worth of **Fortis** (TSX:FTS)(NYSE:FTS) shares in a TFSA. With a 3.7% yield, a $50,000 position in Fortis pays $1,850 in dividends each year. You can withdraw about half of that from your TFSA annually and still be left with $925 in dividends to save or re-invest. If you re-invest half of your Fortis dividends, you'll end up with more shares in the company, gradually increasing your position. Additionally, Fortis management increases the stock's payout every year, so the dividends will grow over time.

As of right now, $1,850 in annual dividends might not sound like much. But keep in mind the potential for the payouts to grow. If you re-invest half of your dividends in FTS shares over the course of 10 years, you'll get much more than that in the future. And you can withdraw all of the proceeds tax-free from a TFSA.

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