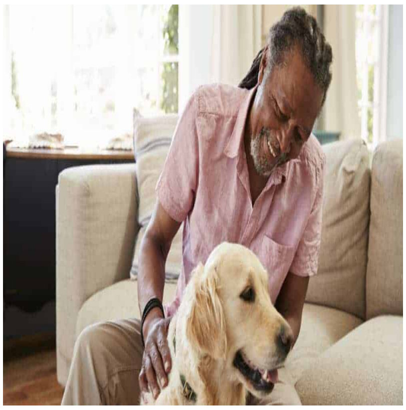

CPP Pension Users: 3 Alarming Truths About Retirement

Description

A cause and effect relationship is developing in 2020 between retirees and the pandemic. COVID-19 is putting retirement plans on hold. The fallout from the coronavirus could be long-term such that would-be retirees are thinking of adjusting the retirement timeline.

With or without the pandemic, there are alarming truths about the golden years. COVID-19 is only lowering the confidence to retire. You must take the right steps now, particularly when lining up your financial resources leading to your retirement.

Lifestyle change

Prepare for a dramatic change in lifestyle. It will occur on the first day of the rest of your life. Retirement is unchartered territory, even if you hear stories from other retirees. It’s different when you step on the actual stage.

Every dollar matters because there is no regular income coming like before. You need to work around a limited budget. This time, you should also be mindful of the impact of inflation on your cost of living. The sunset years bring stress too.

Austere living

Living within your means applies to retirees also. Your means or primary source of retirement income is the Canada Pension Plan (CPP). The challenge is making do with the CPP plus the Old Age Security (OAS) benefit.

The average annual CPP, for instance, is $8.074.44. Add the OAS, and you will be subsisting on only $15,436.80 yearly or $1,286.40 monthly. The amount assumes you retire at age 65.

Your CPP should increase by 42% if you wait until 70, but reduces by 36% if you take it earlier at 60. Regardless of the option, money would be tight, and retirement would not be as comfortable.

Huge gap to fill

Retirement planning is a long process where the key component is structuring your retirement income to fit the lifestyle you envision. Pensions like the CPP replace just 33.3% of the average pre-retirement income. Thus, filling the gap is the goal of CPP users.

Preparation takes typically 20 to 25 years. The time frame is sufficient to build a significant amount of retirement funds. However, it's not too late to create an income source if you don't have the luxury of time.

Investing in a blue-chip stock like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) will allow you to catch up and set you on the right path. The third-largest banking institution in Canada is among the best income investments on the **TSX**.

People buy this bank stock for the dividends. The 6.62% dividend today can generate a quarterly income of $872.50 from out of a $50,000 investment. You don't have to sell the stock because the payouts are for a lifetime.

Scotiabank's 188-year dividend track record is testament to the bank's reliability as an income provider for retirees. Don't worry about credit losses when a deep recession comes. About 50% of its loan portfolio is insured. Similarly, the bank has a sizeable loan loss provision.

CPP is not enough

The older you are, the more you should focus on income sources other than pensions. Your CPP is okay as a replacement income but not enough to live on when you retire. Believe it.

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