Your OAS and CPP Pension Is Not Enough: Supplement Your Pension Payments by Doing This!

Description

The COVID-19 pandemic has wreaked havoc and reshaped retirement plans. Soon-to-be retirees will be contemplating retirement options, as global economies are in the midst of an economic slowdown. There are also retirement risks to consider due to inadequate savings coupled with an increase in life expectancy.

The Canadian government has a couple of pension programs for retirees to help them support a comfortable lifestyle on retirement. The Old Age Security (OAS) is Canada's largest pension program, while the other primary program is the Canada Pension Plan (CPP). The two pension programs generate a monthly passive income for Canadian seniors.

The average age to receive the OAS and CPP pension is 65. The OAS benefit for a 65-year-old is $613.53, while the average CPP payout is $672.87. This means you will generate about $1,286 in monthly pension payments.

You can defer the OAS and CPP to benefit from higher payouts in later years. For example, if you start receiving OAS and CPP payments at the age of 70, your total monthly pension payment will increase to $1,789.50. The OAS benefit increases by 7.2% per year (indicating a cumulative 36% boost), while this figure for the CPP stands at 8.4% per year, or a cumulative 42%.

Even with deferred payments, pension programs do not provide enough income to sustain a comfortable life. You can safeguard your future by creating another income stream.

Supplement your OAS and CPP with dividend-paying stocks

One way of creating a recurring income stream is by investing in dividend-paying stocks. The recent market weakness has driven dividend yields of quality stocks higher. Beaten-down midstream energy stocks such as **TC Energy** (TSX:TRP)(NYSE:TRP) are a good bet in an uncertain market.

TC Energy is a Dividend Aristocrat and has increased dividend payouts for 20 consecutive years. The pipeline company has over $100 billion in assets that generate a stable stream of cash flows backed by long-term, fee-based contracts.

TC Energy is immune to low commodity prices due to its contract-based business model that also allows it to maintain a consistent dividend payout. Shares of TC Energy are trading at $56.73, which is 26% below its 52-week high. It means TC Energy's dividend yield is at a tasty 5.71%.

In the last 20 years, TC Energy stock has grown at an annual rate of 4.4%, despite the recent pullback. Comparatively, it has increased dividend yields at an annual rate of 7% since 2000.

So, you can generate $11,420 in annual dividend payments on an investment of $200,000 in TC Energy stock. Further, at the end of 10 years, your investment will rise to $294,669 while your annual dividend payments will be $19,621, considering its historical growth rates.

This is just an example of a quality dividend stock. It is not advisable or prudent to allocate $200,000 in a single stock. Instead, you can identify similar dividend-growth stocks across sectors and diversify your risks to secure a stable source of quarterly income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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Date
2025/09/10
Date Created
2020/07/10
Author
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