



CPP Pension Users: Will COVID-19 Affect Your Payments?

Description

Returns on financial assets are dropping in 2020 due to the COVID-19 pandemic. The global phenomenon is stirring the hornet's nest and causing [pension tension](#). Declining return on investments is not the only worry of the Canada Pension Plan (CPP) users.

The federal government is spending billions of dollars on its COVID-19 Economic Response Plan. Aside from issuing sovereign bonds to obtain funding for the stimulus package, it might be dipping into the \$409.6 billion CPP fund (as of March 31, 2020). If this is so, it might affect the payments to Canadian retirees.

Arms-length

CPP users must know that the pension is not a sovereign wealth fund, and the sole manager of the fund is not a sovereign entity either. The Canada Pension Plan Investment Board (CPPIB) is a private organization that oversees and invests the contributions of employees and workers in Canada.

The CPPIB operates with a clear mandate, and that is to maximize returns of the fund without undue risk of loss. However, its accountability is to the Parliament, federal, and provincial ministers who act as CPP stewards. About 20 million Canadians anchor their retirement on this defined contributions system.

Stable fund

The economic impact of COVID-19 is seismic such that the stability of the retirement fund is under threat. Before COVID-19, the advancing age of the baby boomers is already a challenge to the country's economy. More than five million of this generation are due to retire in the 2020s decade.

According to Mark Machin, CPPIB CEO, the CPP is safe for generations. There *will* be money when you retire. The chief actuary of Canada reviews the fund's financial state regularly, and its latest report indicates the CPP is sustainable for 75 years or until 2091.

CPPIB stock pick

Aside from bonds, private debt, real estate, and infrastructure, the CPPIB invests in the stock market. **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is the board's third-largest holding on the **TSX** after **TORC Oil & Gas** and **Seven Generations Energy**.

The CPPIB is into long-term investing. Although 2020 is a rough year for Canadian Natural, it's one of the top stock picks in the energy sector. Its share price is down 43.6% year-to-date, but at \$22.60 and 7.36% dividend, you're getting the best of both worlds.

This \$26.68 billion company has strong cash flows, excellent growth metrics, and long project backlog. With oil prices starting to rebound, market analysts forecast the stock to climb by 99% (from \$22.60 to \$45) in the next 12 months.

A \$20,000 investment will generate \$1,472 in passive income, plus the capital appreciation, the overall return would be higher. No wonder that the CPPIB is holding more than 23,000 shares of Canadian Natural.

Sock money away for retirement

Living standards will drop dramatically in retirement. You can look forward to the CPP, but it won't be enough if you were to depend on it as your [only source of retirement income](#). It would be best to plan ahead by socking money away for the sunset years.

Regular investors should adopt the same long-term view of the CPPIB. You can grow your money by investing in adding more to your CPP pension.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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