
Can You Survive Solely on Your OAS and CPP Pension?

**Description**

Future Canadian retirees have two safety nets when it's time to take the retirement exit at age 65. The Old Age Security (OAS) is the universal pension, while the Canada Pension Plan (CPP) is the earnings-related social insurance program. But if you think the two pensions are enough to enjoy a comfortable retirement, it's safer to assume the worst.



Financial security, not necessarily age, is foremost in the minds of would-be retirees. The OAS and CPP payments typically start at the age of 65. However, you can delay claiming the OAS until 70 to receive 36% more in benefits. Likewise, you can defer the CPP to 70 to bump up the pension by 42%. You can take the CPP earlier at 60 but expect a 36% permanent decrease in total.

## Not sufficient

When you take the OAS and CPP simultaneously at age 65, the average monthly payment is $1,286.40. Assess your retirement expenses to see if the pensions can answer for all your financial needs per month. Also, consider the pointers of earlier retirees. The common regret is not saving enough for retirement. It means you would be in a tight financial situation if your only income sources are the OAS and CPP.

Retirement planning covers the whole nine yards. Ideally, saving and investing begins as early as 20 or 25 years old then runs for 40 to 45 years. The time frame is long enough to build retirement wealth. You can backstop your OAS and CPP while living a worry-free retirement.

## One investment to retire on

The 2020 global pandemic is bringing to light a new awareness among prospective retirees. Retirement systems serve as foundations but are not adequate to cope with the harsh realities seniors will be facing soon. Hence, to prepare, you would need a resilient income provider like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to supplement your OAS and CPP.

COVID-19's toll on the economy is unlike previous crises. The shock is doubly hard on retirees with meagre income sources. In the 2008 financial crisis, only TD reported revenue and profit growth. The second-largest bank in Canada is facing another economic duress, but it should endure this health crisis as before.

The coronavirus-induced market selloff brought down the stock price. TD is trading at only $60.58 per share, which is 14.4% lower than at the start of 2020. The dividend yield, however, is 5.22%. An investment of $50,000 can generate a passive income of $2,610. In 20 years, the capital will grow to $138,366.24. Your comfort is that the dividends are safe, given the low payout ratio of 52.81%.

## Get real

Present retirees are advising Canadians approaching retirement to prepare well in advance. It's never too late to set up a retirement plan at 50, but you must have the resolve to save and invest. A plan will help you evaluate all options, so you can get the most out of your wealth-building activities.

The most important advice is to get real. Your OAS and CPP are partial replacement incomes, and therefore, you need to fill the gaps. Financial dislocation is looming if you insist the pensions are adequate. Change the mindset and start redefining your strategy.



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