



CPP Pension Users: 3 Scary Truths About Retirement

Description

Retirement dreams are easy to conceive in mind, but fulfilling them is a rarity. It would be best if you had a roadmap that you will stick to when you start planning. Often, it remains a vision as would-be retiree focuses on the dream vacation and wish list without considering other aspects of retirement life.

Planning for retirement is daunting because you should do it far in advance. If you want a comfortable lifestyle, set aside the daydreaming for now, and prepare for retirement's [scary truths](#). Otherwise, you'll be on the financial edge for the rest of your sunset years.

Consider longevity

The average life expectancy in Canada for 2020 is 82.5 years. Hence, you should be planning financially to cover plus 10 years of the average life span. It's possible to live 25 to 30 years more after you [retire at 65](#) to claim your Canada Pension Plan (CPP).

CPP is inadequate

Many Canadians assume that the CPP, along with the Old Age Security (OAS), is sufficient to live by in the retirement years. Current retirees regret not saving enough for retirement because it was too late to find out that the CPP pension (and the OAS) alone is inadequate to live comfortably.

Understand that the pensions are partial replacements and will replace the average pre-retirement incomes by 35%, at best. You're lucky to have a company pension because it can make up 50% of your retirement income source. The remaining 15% will come from retirement savings. If it's only the CPP and OAS, the gap you need to fill is 65%.

No procrastination

The enemy of the retiree is himself. If you know that you can't subsist on the CPP alone, act decisively

and not procrastinate. Time is of the essence. The more you have it, the more you can build a significant nest egg. Your CPP can cover for the necessities, but you don't have a hedge against inflation or rising costs of living.

A preferred wealth-provider in contemporary times is **TELUS** ([TSX:T](#))([NYSE:TU](#)). This \$29.27 billion telecom giant should compensate for the CPP's shortfall. The telco stock pays a hefty 5.12% dividend. Your \$50,000 savings will add \$2,560 annually to your CPP. In 25 years, the capital will balloon to \$174,222.33.

TELUS fits well in a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA). You will benefit from the tax-sheltered growth of money in the RRSP or compound your money tax-free in a TFSA. Either way, you secure your financial future with a dependable income-provider. It's like having another pension on top of the CPP.

Have a clear vision

Do you envision enjoying a comfortable lifestyle when you retire? If yes, don't waste your time dreaming about it. Instead, work hard to fulfill that vision. Whether you're a baby boomer, Gen-X or millennial, insolvency is not an option in retirement.

Retirement life will shock you if you lack preparation and don't have abundant financial resources. Your retirement plan must include saving, investing, filling the CPP gap, and assessing potential risks. Only a would-be pauper will take these things for granted.

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