CPP Pension and OAS Payments Alone Aren't Enough to Survive

Description

Canadians approaching retirement are deep in thought, trying to decide between proceeding and postponing their retirement. You can't throw caution to the wind now that you see the economic impact of a pandemic. Aside from health concerns, financial health is a big concern. Pensions may be for a lifetime, but they not necessarily adequate to sustain a quality living.

The Canada Pension Plan (CPP) and the Old Age Security (OAS) are the foundations of the retirement system in Canada. If you were to rely solely on both, your financial well-being would be at risk. Take it from current retirees who feel sorry for not saving enough for retirement. Others are returning to work to earn extra to add to the pensions.

Fractional replacements

Retirement requires meticulous planning, especially on the financial aspect. You're half done if you take the retirement exit with zero or paltry savings. The CPP and OAS payments are income replacements, although they only substitute up to 33% of the average pre-retirement income. There's a considerable shortfall you need to cover.

Planning basics

COVID-19 is altering retirement schedules, but not the planning basics. The procedures are the same if you're serious about achieving your long-term financial objectives. Follow this three-step plan: reduce expenses and save, pay off or eliminate debts, and create investment income.

However, you must have the discipline to see through the process to enable you to arrive at your destination with a massive nest egg. Reducing expenses mean practicing frugal spending. Save whatever you can whenever possible. Debts are thorns in retirement. Your pensions might go to debt repayments and leave you with nothing.

Creating investment income is the most crucial component if you desire financial stability over poverty in retirement. Utilize the Registered Retirement Savings Plan (RRSP) and the Tax-Free Savings Account (TFSA). You need these investment vehicles to grow your savings exponentially.

Bankable asset

If you want to keep the income-generation process simple, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a retiree's asset. This bank stock can be a single supplement to your CPP and OAS. Likewise, the shares of the second-largest bank in Canada are qualified investments in either the RRSP or TFSA. In a 25-year investment horizon, you can amass a fortune and retire contentedly.

TD is a bankable asset, whether in a pandemic or recession. This $108 billion bank has endured the harshest economic meltdowns the world has seen. TD can overcome the 2020 health crisis and keep funding retirees' needs through its dividend payments. I should say it's in the bank's DNA, given the 162-year dividend track record.

All the Big Five banks are well positioned for the post-pandemic era. TD sacrificed net income in favour of higher credit loss provisions. Still, liquidity and its balance sheet remain strong. The current dividend yield of 5.3% will generate an annual life-long income of $7,950 on a $150,000 investment.

Leave nothing to chance

Proper retirement planning leaves nothing to chance. If you think subsisting on $1,286.40 (OAS + CPP) monthly is next to impossible, act decisively and fortify your retirement fund. You will encounter tough times for sure. Be among the financially fortunate retirees who are enjoying the best years of their lives.

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