CPP Pension: How to Increase Your Monthly Income

Description

For over 50 years, Canadians have counted on the Canada Pension Plan (CPP) to help fund their retirement. Previously, many retirees could also rely on the pension from their former employer to cover their expenses in retirement. But over the past 20 years, most pension plans have disappeared.

With the maximum monthly benefit from CPP currently at $1,175.83, Canadians are searching for ways to boost their monthly income.

CPP is not enough

While the *maximum* CPP payment is nearly $1,200 per month, the *average* monthly CPP payout is much less. The average CPP monthly payment to Canadians who start benefits at age 65 is $696.56.

According to Statistics Canada, the average Canadian pre-retirement salary is nearly $4,700 per month.

Most experts recommend retirees plan for at least 75% of pre-retirement income to continue their standard of living in retirement. For the average Canadian, that translates to a monthly income of approximately $3,500.

With the average CPP benefit hovering around $700, the average Canadian needs an extra $2,800 per month to make up the shortfall.

While there are government programs that provide some money in retirement, such as the Old Age Security (OAS) or the Guaranteed Income Supplement (GIS) for those who qualify, these programs provide only a small monthly stipend.

The best way to make up for the CPP shortfall

One of the easiest ways to increase your income in retirement is to invest in high-quality dividend stocks. The monthly income from dividend stocks can supplement your CPP payment and make the difference between living a self-funded retirement to relying on others (like family or government programs) to make ends meet.

Consider a company like **Alimentation Couche-Tard** (TSX:ATD.B).

Alimentation Couche-Tard

With over 15,000 stores across several continents, Couche-Tard is one of the world's largest operators of convenience stores. Its most recognizable brands are Circle K and Couche-Tard convenience stores.

Couche-Tard is one of the best-performing stocks on the TSX, with a 10-year CAGR of 30%. Trading at $46.55 as of this writing, shares are up about 12% for the year.

While there are plenty of companies paying a higher dividend, there are few that can deliver a dividend increase every year. And Couche-Tard can be counted on to keep paying the dividend regardless of volatility in the market. This reliability is critical to retirees who count on dependable monthly income to supplement their CPP payments.

The company has also shown resilience during the recent downturn in the market. Couche-Tard's net income nearly doubled in the fourth quarter of 2020, despite the turbulence caused by the pandemic and lockdowns.

There are reports that Couche-Tard is interested in teaming with a partner to take over Speedway. Speedway is the gas station network owned by **Marathon Petroleum** and comprises more than 3,900 convenience stores.

According to sources familiar with the matter, Couche-Tard does not want to pay for the entire deal on its own. The company is seeking a partner that would take on some of the Speedway gas stations and address potential antitrust concerns about a deal. Still, any deal would dramatically increase Couche-Tard's footprint in North America.

The bottom line

With CPP paying only a portion of the monthly income most Canadians require, retirees should look to high-quality companies paying a reliable monthly income to supplement the CPP. Couche-Tard is a stock to consider, especially since it performed well during the pandemic and is looking for growth opportunities like the potential Speedway deal.

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