It’s a Terrible Idea to Retire With ONLY Your OAS and CPP Pension

Description

Prospective retirees in Canada with little or no savings entering retirement are certain of financial support. They can tap the Canada Pension Plan (CPP) even starting at age 60, then receive the Old Age Security (OAS) at 65. Retirement income is 100% sure for all retirees. However, retiring and relying on only the OAS and CPP is a terrible idea.

If the OAS and CPP were wholly adequate, how come countless retirees regret not saving enough for retirement? People approaching retirement should reflect on the lament of these seniors. It confirms that you need more financial resources. Retirement is about having a comfortable standard of living in the sunset years.

Pension design

The OAS and CPP are the bedrocks of the retirement system in Canada. Understand that both are partial replacements of the average pre-retirement income. Hence, you can’t expect to maintain your previous lifestyle with only the combined monthly payments.

Retirement planning experts explain too that the pensions are “actuarially neutral.” In layman terms, the payments are fairly computed whether you draw them before or after age 65. The OAS is available when you reach age 65, whereas you can elect to take the CPP at 60 for health reasons or a longer stretch of pension payments.

When you retire at 65, the total monthly payment is $1,286.40, or $15,436.80 annually. The OAS maximum is $613.53, while the average CPP is $672.87. Expenses will dramatically drop in retirement, but it would help if you were to assess your retirement expenses. You’d be able to determine the income gap you need to fill.

Value for money

Understandably, many future retirees can’t save as much due to other financial priorities. However, the monstrous effect of the 2020 health crisis should compel retiring Canadians to take planning seriously. You can make a go of it while time is in your hands.

Stock investing is an option because of higher returns and faster money growth through dividend reinvestment. Buy-and-hold blue-chip stocks are available at depressed prices today. An esteemed choice of long-term investors is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). You get value for money from this bank stock.

Toronto-Dominion possesses the features of a retiree's asset. The second-largest banking institution in Canada has a solid financial record and credible dividend payment history. You can purchase the shares of this investment-grade bank at $60.49 and get paid a 5.22% dividend. The income can be for a lifetime like the OAS and CPP.

A 2018 survey shows that the average retirement savings of Canadians are $184,000. If you have that amount invested in TD shares, the corresponding annual earning is $9,604.80. You'll receive the payments quarterly, or $2,401.20 every three months. The higher the investment, the more you can supplement your OAS and CPP.

Third pillar

Not everyone is fortunate to have workplace pensions. Thus, despite other priorities, you need to set up personal retirement savings. Your investment income will serve as the third pillar of retirement income. It's never too late to safeguard your future financial health.

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