



## You're Making a Big Mistake If You Rely ONLY on the OAS and CPP Pension

### Description

The number of seniors is growing at a faster rate than any other segment of Canada's population. Statistics Canada estimates that by 2041, seniors will compose 25% of the country's populace (many are 85 years old). Accordingly, the average life expectancy rate for both men and women is 80.2 years.

However, [disturbing data](#) is that senior poverty in Canada is also rising. How is this possible when elders have the Old Age Security (OAS) and the Canada Pension Plan (CPP)? The answer is obvious. It's a big mistake for retirees to rely only on the OAS and CPP pension.

### Not a safe plan

Financial dislocation looms if the OAS and CPP are the only sources of retirement income. Those with workplace pensions are lucky, as it completes the three legs of the retirement stool. Sadly, many Canadians don't have them. As such, there's a considerable shortfall to fill if the available pensions replace only 33% of the average pre-retirement income.

Prospective retirees must run the actual numbers to see if there's enough cover. The estimated pension payments are \$613.53 for the OAS (maximum) and \$672.87 for the CPP (average). You must work around or be able to stretch a monthly budget of \$1,286.40.

You can increase the payments by delaying both until age 70. If you do, the permanent percentage increases would be 36% for the OAS and 42% for the CPP. Still, you risk poverty. The buffer must be substantial to live comfortably in the sunset years. Many Canadians are [working past 60](#), and some retirees are returning to work out of urgent financial need.

### Prime income source

Look no further if you're deadly serious in fortifying your retirement income. Start the journey to wealth with the **Royal Bank of Canada** ([TSX:RY](#))([NYSE: RY](#)). RBC is the country's largest banking institution and is the 24th largest bank in the world. Furthermore, Canada is a world-class banking hub.

RBC is a prime source of income for retirees. This \$143.74 billion bank has withstood recession after recession dating back to 1864. Since 1870 or 150 years ago, the bank stock has been paying dividends consistently. It commands a strong following among retirees because of its stable capital position.

Assuming you have \$100,000 in savings today, RBC will deliver \$1,060 in quarterly income (current dividend yield of 4.24%). In an investment horizon of 20 years, your capital will grow to \$229,450. If the yield remains constant throughout the period, your quarterly income should be \$2,432.17.

In Q3 2020 (quarter ending July 31, 2020), the bank's net income fell 2% to \$3.2 billion compared with Q3 2019. Total revenue, however, increased by 12.2%. Since COVID-19 concerns remain high, Royal Bank further increased its credit loss provisions by \$675 million. Management expects organic growth to resume in the recovery period.

## Aim for financial security

A successful retirement comes down to financial resources. The OAS and CPP are sure money when you retire at 65, but it doesn't guarantee financial security. Your best course of action is to face the hard truth and act while you can.

If you don't address the apparent gaps in the pensions, the consequences are profound.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

### Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

**Date**

2025/08/27

**Date Created**

2020/09/01

**Author**

cliew

default watermark

default watermark