



CPP Pension and OAS Payments: Not Enough to Live on

Description

The Old Age Security (OAS) and Canada Pension Plan (CPP) are income foundations for Canadian retirees. However, if you're expecting quality living in the golden years, don't rely only on both. The OAS and CPP are inadequate to [ensure financial stability](#) throughout the retirement period.

I can't agree more that Canadian seniors are fortunate to have a retirement system in place. No one will retire penniless. Each retiree will have at least a 33% replacement of the average pre-retirement account.

The combined total of the OAS and CPP payments will amount to an annual income of \$15,436.80 for every retiree. For spouses receiving both, it will translate to \$30,873.60 yearly. Still, you'll be more comfortable and secure by adding a third [income source](#).

Insights from retirement surveys

Retirement life is not easy if you have meagre income for sustenance. You might struggle to pay current bills and be unable to cope with the ever-increasing cost of living. A 2018 study by Transamerica Center for Retirement Studies found that most retirees regret not saving enough.

About 73% of survey respondents wish they had set aside more money regularly. Nearly 50% waited too long to get serious about retirement savings. You might be over-stressed at work, but you can't call it quits and retire abruptly. A major life transition requires deliberate planning, not hasty decisions.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) conducted a similar retirement survey in 2019. The poll result suggests that because of more immediate financial priorities, retirement planning isn't the priority. Only 23% listed it as the top financial goal. However, 70% of Canadians are worried they are not saving enough.

Prospective retirees should take note of other revealing statistics. Losing financial independence is the worry of 59% of the respondents. Furthermore, 53% raised concerns about re-entering the workplace after their official retirement. Baby boomers expect to need an average of \$572,000 to fund an ideal

retirement.

Buy-and-hold stock

The stock market is fraught with risks at present, although blue-chip companies like Scotiabank remain as dependable income providers. This bank stock pays the highest dividend in the sector. The track record is 188 years, so it lends confidence to pick Scotiabank as your wealth builder.

Scotiabank pays a high 6.43% dividend. Assuming you have the same target as baby boomers, you would need to invest \$120,500 in the bank stock today and hold it for 25 years. Over the period, your money will compound by 475% to \$572,253.69.

Despite the headwinds in the banking industry, it's unlikely that Scotiabank will slash the yield. The dividends are sustainable, given the less than 65% payout ratio. Some investors fear its vast presence in emerging markets like Latin America is the biggest threat. Scotiabank, however, is streamlining operations abroad.

You can seize the moment and purchase the bank stock while the price is incredibly low (\$56.09 per share). Analysts forecast a 24.08% appreciation once the economy and market environment improve within the next 12 months.

Avoid a financial dilemma

The OAS and CPP can cover your basic needs, but unfortunately, they're difficult to stretch out. Life expectancy is expanding along with living expenses. Without another income source, the financial stress in retirement could be unbearable.

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