



OAS and CPP Pension: Enough to Retire on Comfortably?

Description

OAS and CPP pension payments may be enough to finance a frugal lifestyle in a lesser-known Canadian city. However, for a majority of retirees (or soon-to-be retirees), the answer is no, OAS and CPP pension payments aren't enough to retire comfortably, such that you'll have the financial flexibility to spoil the grandkids or splurge without having to break open your retirement nest egg.

If you're one of many retirees who've saved up a large nest egg for yourself, you have the ability to create a sustainable income stream, which, when combined with your pension payments, can help you retire in comfort without running the risk of eroding your nest egg to zero.

Too many retirees fear running out of money in the midst of retirement. Contingent expenses, emergencies, and all the sort should be expected. With an income stream in sustainable dividend stocks, though, you can put your fear of running out of money to rest, as you look to spend dividends, distribution, and interest payments and not the principal itself.

Investing the nest egg with monthly income in mind

Now, putting the entirety of your nest egg on high-yielding securities isn't without its own share of risks. You need to conduct a careful analysis to ensure you're not walking into a value trap that's just a dividend (or distribution) cut waiting to happen.

This pandemic has weighed on the operating cash flow streams of many firms with handsome payouts. Many dividend commitments could stand to be slashed if this pandemic were to worsen drastically. As such, OAS and CPP pensioners should pick their spots carefully and insist on quality dividends over their sheer size.

That's not to say that all super-high yields are unsustainable, though. **Inovalis REIT** ([TSX:INO.UN](#)) was a European-focused office REIT that I urged income investors to buy on the dip back in the depths of March and April. Shares of the battered REIT saw its yield swell past the 12% mark. For investors with the courage to go against the grain, they were able to lock-in a payout that was far more sustainable than it appeared on the surface.

Should you buy a high-yielder like Inovalis to supplement your passive income?

Inovalis is one of those weird REITs with a high yield by design. Shares tend to sport a yield around 8% in normalized market conditions. The only catch is shares of INO.UN barely budges over prolonged periods of time, leaving little in the way of capital gains. Indeed, Inovalis is one of the worst stocks on the TSX Index to trade, given its uneventful pre-pandemic history.

Today, Inovalis has bounced 89% off its March lows. The yield has compressed down to 10.7% amid normalizing conditions. With a second wave on the horizon, income investors may have another shot to lock-in the massive +12% yield. However, a modest distribution reduction and a reversal of recent momentum shouldn't be ruled out if this pandemic were to worsen drastically.

If you're looking to hang up the skates on the labour force within the next decade, I'd say now is a decent time to scale into a name like Inovalis REIT while its yield is still in the double digits. If you [depend](#) on monthly investment income today and can't afford to be on the receiving end of a significant distribution cut, I'd look elsewhere, as Inovalis REIT is likely to be a stomach-churningly volatile play that could see its funds from operations (FFOs) fluctuate wildly amid the pandemic.

Foolish takeaway for CPP and OAS pensioners

CPP and OAS pension payments may not be enough for many prospective retirees who seek a care-free and comfortable retirement lifestyle, especially for those who opt to collect pension payments earlier rather than later.

Fortunately, prospective retirees with [nest eggs](#) can supplement their pension income with bountiful plays that are now abundant in today's pandemic-plagued market. Inovalis is undoubtedly an extreme example of a name that could allow one to lock-in a huge yield amid the COVID crisis.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. TSX:INO.UN (Inovalis Real Estate Investment Trust)

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1. Business Insider

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Author

joefrenette

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