Don’t Retire If You’re Relying ONLY on the OAS and CPP Pension

Description

COVID-19 disrupted everyday living and brought financial hardships. Aside from the two disorders, it’s an economic upheaval for would-be Canadian retirees. The pandemic threatens retirement savings and security. The combined payments of Old Age Security (OAS) and Canada Pension Plan (CPP) might be too paltry to survive the retirement years.

Rethink your retirement decision if you‘re relying only on the OAS and CPP as income sources. Financial resources dictate the quality of life in the golden years. The pensions will cover up to 33% of the average pre-retirement income, nothing more. Even if you delay retirement until age 70 to increase the payouts, financial dislocation is still a strong possibility.

Access to other income

Canadians have access to other ways to supplement their OAS and CPP. The COVID-19 pandemic should motivate soon-to-be retirees to accumulate retirement savings while there’s time. Dividend investing is still a simple, low-maintenance strategy to adapt.

Historically, dividends account for the vast majority of the return from stocks. Without dividends, you can’t realize a higher market return over an extended period. If you want to compound your capital, keep reinvesting the dividends and not spend them.

Long-term value for retirees

The **Toronto Stock Exchange** (TSX) was having a magnificent bull market run until the World Health Organization declared a global pandemic in mid-March 2020. The tsunami that hit the equities market was abrupt, and the shell-shock to investors was unprecedented. Fortunately, the TSX survived the bloodbath and regained its footing.

For income investors, particularly people with retirement goals, panic is not the solution. You can stay the course if your core holding is the dividend pioneer. The **Bank of Montreal** (TSX:BMO)(NYSE:BMO

) has endured market crashes, economic downturns, and recessions.

The stock sunk to as low as of $54.66 per share on March 23, 2020. Some companies would have slashed dividends to protect the balance sheet. BMO did not. This $52.03 billion bank has an unmatched dividend track record of 191 years. Despite the continuing headwinds, the price went up, and BMO is now trading at $80.

Currently, the dividend yield is 5.21%, while the payout ratio is 60.49%. The compounding effect works this way – $1,000 compounded at 5.21% for 20 years gives you an ending value of $2,761.47. Assuming the analysts' price forecast of $95 in the next 12 months holds, it's a double whammy for you.

BMO ranks number 15 in the *Wall Street Journal*'s 2020 list of the 100 Most Sustainably Managed Companies in the World. More than 5,500 publicly listed companies were examined by WSJ across a range of sustainable metrics. The fourth-largest bank in Canada came out as among the best-in-class. If you want long-term value, BMO is a top-of-mind choice.

Safe and sound retirement

The OAS and CPP can't assure a safe and sound retirement. Dividends can enhance income and fill the pensions' significant shortfall. You can meet all financial needs while the principal or capital remains intact. More important, like the OAS and CPP, the income stream from the dividend pioneer is perpetual.

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cliew