



CPP Pension and OAS Payments: How Much Can You Get?

Description

The COVID-19 outbreak in March and the second wave in the last quarter of 2020 have heightened uncertainty, most especially for Canadians nearing retirement. You can look forward to receiving the Canada Pension Plan (CPP) and Old Age Security (OAS),

However, if you have little savings or none, it would be best to know how much you can get from the retirement backbones in Canada. You might need to supplement the pensions to [live comfortably in the sunset years](#).

Pension from paychecks

CPP is a defined benefit pension plan, although the government does not own, fund, or manage the assets. Employees (plus employers' share) and self-employed individuals contribute to the CPP from their paychecks throughout the working years. The Canada Pension Plan Investment Board (CPPIB) manages the pension fund on behalf of CPP users.

The [default age](#) to claim the CPP is 65. Assuming you're 65 and claim today, the average monthly pension is \$710.41. The maximum is \$1,175.83, but you should have contributed enough to receive the full payment.

You can claim your CPP earlier at 60. However, you risk a 36% permanent pension reduction. The amount but reduces by 0.6% for every month (7.2% per year) before age 65. Delay until 70, and you receive 42% more pension as payment increases by 0.7% every month (8.4% per year) after your turn 65.

Government benefit

OAS is a government benefit and no deductions from the workers' payroll. A portion of income taxes the government collects goes into the OAS pot. When you reach 65, you can apply for OAS to receive a monthly pension.

There's no early option for the OAS as it's available for Canadians 65 years or older. The maximum monthly payment is \$614.14 per month (October to December 2020). If you want to enhance the payments, you can also defer the OAS until 70. The amount bumps up by 7.2% for each year of delay or a maximum of 36%.

Dividend-payer for nearly 200 years

Yes, your CPP and OAS are guaranteed incomes for life. But now that you know how much you'll get, the pensions alone won't be sufficient. Retirement experts suggest you find other sources like investment income. Save more so you can invest in dividend stocks.

One of the Big Five Banks, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) or Scotiabank, offers a hefty 5.67% dividend. The share price of \$63.48 is relatively low, a steal if you can take a position today. A retiree with \$150,000 worth of shares is earning close to the CPP monthly payment.

Scotiabank has been a reliable income provider for more than a century (nearing two, actually). This \$77.72 billion bank and the third-largest in Canada boast of a 188-year dividend track record. The payouts should be sustainable, given the 64% payout ratio.

New priority

The results of Scotiabank's recent survey show that Canadians are becoming better savers and thrifty spenders due to the impact of COVID-19. Financial priorities are changing, with 53% of respondents prioritizing saving for emergencies.

Take it a step further by creating an additional income source in retirement. If you have a wellspring like Scotiabank, you'll be ready to retire for good.

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