3 Canadian Cities Where It's Nearly Impossible to Retire on CPP and OAS

Description

Did you know that it's basically impossible to retire on CPP and OAS alone in some Canadian cities?

According to the Canada Revenue Agency, the average CPP benefit was $614 in October 2020–down from the 2019 average of $679.

With $614 in CPP and $613 in OAS every month, you earn the princely amount of $1,227 combined. That's not enough to even pay rent in some Canadian cities–let alone *all* of your bills.

In this article, I'll highlight three cities where it's impossible to pay rent on the average CPP and OAS combined amount. In each case, I'll be using the averages for a one bedroom apartment provided by Rentals.ca. We can start with one city you probably won't be surprised to see on the list.

Toronto

According to Rentals.ca, it costs $1,877 per month to rent a one bedroom in Toronto. That's down 19% year over year, but still far more than what the average Canadian retiree gets from CPP and OAS. Toronto has always been expensive; in 2020, renters finally got a little bit of relief. Unfortunately, the relief wasn't enough to make the city viable for retirees relying solely on CPP and OAS.

Vancouver

In Vancouver, it costs $1,865 to rent a one bedroom apartment. That's $638 more than the average Canadian retiree gets in CPP and OAS. If you boost your CPP all the way up to the maximum by waiting until 70 to take it, you might get enough to cover Vancouver rent pre-tax. But once taxes are factored in, you can forget about it.

Burlington

Last but not least, we have Burlington. As part of the Toronto metro area, you shouldn't be surprised to see that it's pricey. But for an area on the outskirts, it's more expensive than you'd think. In Burlington, it costs $1,861 to rent a one bedroom. That's quite expensive for an area nowhere near downtown Toronto.

With investments, you might make it work

As the above examples show, it's pretty hard to retire on CPP and OAS alone. In the three cities above, the average *combined* benefits don't cover rent–let alone rent, utilities and groceries. When all that is factored in, it's questionable whether you could survive in any of these three cities even with maxed out CPP.

Fortunately, you have one option that could soften the blow:

Investing.

If you invest in dividend paying stocks, you could gradually build up a stable cash flow that helps you pay the bills in retirement. Such stocks pay regular cash dividends, typically once per quarter. With a position of a few hundred thousand dollars or more, the income can really go a long way.

Consider **Fortis Inc** (TSX:FTS)(NYSE:FTS) for example. It's a utility stock yielding 3.94%. With a 3.94% yield, you get $3,940 in annual cash back on every $100,000 invested. With $500,000 invested, you get back $19,700.

Either of these amounts would go along way toward helping you pay your bills in retirement. And with utility stocks like Fortis, the payouts are quite safe. Utilities are some of the safest stocks around, being heavily regulated and protected by the government. Often considered natural monopolies, they operate with little competition. This leaves them free to charge regulated rates and produce steady, recurring revenue.

And you don't need to bet all your money on Fortis to achieve a passive income stream. You could easily build up a diversified portfolio of several Canadian utilities, all of which have pretty high yields. By doing that, you'd lessen your risk, by spreading your eggs across several baskets.

The end result could be a nice passive income stream that helps you pay the bills in retirement–even if you live in an expensive city like Toronto.

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