



Can You Survive on \$689.17/Month With ONLY Your CPP Pension?

Description

If you're 65 today, retiring, and relying only on your Canada Pension Plan (CPP), the chances of a worry-free retirement are very low. The maximum monthly CPP payment in 2021 is \$1,203.75. However, most plan users don't contribute at least 39 years to receive the full benefits.

On average, the monthly CPP payment is only \$689.17 (for new beneficiaries as of October 2020). Hence, the yearly pension is \$8,270.04, or roughly 25% of the average worker's earnings. The CPP enhancements are underway, but once complete, the replacement level will increase to 33.33%. Whether you're retiring soon or years from now, [you can't survive on only your CPP pension](#).

Second guaranteed income for retirees

If the CPP's replacement level is 25% at present, your retirement income must be \$33,080.16. Theoretically speaking, the income gap is \$24,810.12. All Canadians at age 65 will receive the Old Age Security (OAS) benefit with or without employment history. The maximum monthly OAS benefit for 2021 is \$615.37.

If you're claiming both pensions, the guaranteed annual retirement income increases to \$15,654.48. By adding the OAS, the gap lessens to \$17,431.68. Break down the amount, and you would need a third income source that can deliver a recurring income of at least \$1,542.64 per month.

Delay the pensions

Would-be retirees can receive higher CPP and OAS benefits by starting the payments at 70. This option is the less-costly way to boost core retirement income in Canada. It's practical, too, if you don't have health concerns or urgent financial needs.

The [CPP incentive](#) for deferring the payment until age 70 is a permanent 42% increase of the pension. Thus, the annual CPP pension will balloon to \$11,743.46. However, the permanent increase of the OAS is 36%, or \$10,042.84. The combined total at 70 will be \$21,786.30 annually.

The increase of \$6,131.82 is substantial, as the income gap further reduces to \$11,299.86. If you can find an income-producing asset that pays \$941.66 per month, you're on track to living comfortably in retirement.

Enduring business

A network company that provides residential communication services in Canada is an excellent source of retirement income. **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) pays monthly dividends that you can incorporate into your monthly budget. Currently, the telco stock pays a lucrative 5.32% dividend.

If your target is to earn \$941.66 in recurring monthly income, you would need to invest \$213,500 in Shaw Communications. Building a nest egg takes time, so you can start with a small capital and accumulate shares if your finances allow. By reinvesting the dividends, you benefit from the power of compounding.

Shaw Communications boasts of an extensive fibre network that stretches 860,000 kilometres long. This \$11.44 billion company also serves 3.2 million subscribers, 59% of which, or 1.9 million, are loyal internet customers. Its prominent clients include retail giants **Walmart** and **Loblaw**. The business model is enduring and should outlast economic downturns, including the COVID-19 pandemic.

Guide for would-be retirees

The computations above are estimates to help guide Canadians plan for retirement well. Likewise, it shows the potential financial strain if you were to rely only on \$689.17 per month in retirement. A separate nest egg will ensure your financial health for the rest of your sunset years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/09/06

Date Created

2021/01/30

Author

cliew

default watermark

default watermark