
# Can You Rely on ONLY Your CPP Pension and Retire With ZERO Savings?

### Description

Retiring isn't as simple as withdrawing from the active working life when pensions become available. It's a major life transaction where lifestyles change drastically. In Canada, some soon-to-be retirees assume the Canada Pension Plan (CPP) and Old Age Security (OAS) are enough, because both are guaranteed lifetime incomes anyway.



While there's no mandatory retirement age in Canada, the often-cited age is 65 based on the CPP and OAS availability. But according to Statistics Canada, the average retirement age is just over 63.5 years. However, you must have personal savings to create more cash flows in retirement.

Relying only on the CPP and OAS with zero savings could lead to financial dislocation. The sunset years are full of unstructured time and unforeseen expenses. Given this premise, a guaranteed base level of income that partially replaces the average pre-retirement income is insufficient.

## Road to retirement

The journey to retirement is fraught with challenges. People can't save enough due to other financial priorities. However, the burden of retirement planning inevitably falls on future retirees. Each individual is responsible for securing financial health in retirement.

Retirement lifestyles vary per retiree that income depends on the desired standard of living. A crucial aspect is to determine spending needs and create a realistic budget for retirement. It would be best to leave no room for error to counter rising living expenses or inflation risks.

## Time to act

If you have no savings, act now! The first step is to wash down your liabilities if you have outstanding loans. Debts are obstacles, so the earlier you're free of them, the better. Next is to free up more cash from your current expenses. Do away with needless spending and begin setting aside a fixed amount for savings.

Increase the amount gradually if your finances allow. As the balance grows, look to invest in income-producing assets. The TSX is home to established dividend-paying companies. You can invest in the so-called Dividend Aristocrats that have been paying dividends for more than a century.

## Anchor stock of retirees

**Royal Bank of Canada** (TSX:RY)(NYSE:RY) is standout income stock. Not only is RBC the largest bank in Canada, but its dividend track record is an incredible 151 years. This $147.29 billion bank pays a respectable 4.17% dividend. Assuming you have $150,000 in savings, buy RBC shares and hold forever. You add an annual cash inflow of $6,255 to your CPP and OAS benefits.

Despite the industry headwinds and the pandemic, RBC held steady. The bank reported a nearly 3% revenue growth in fiscal 2020 (year ended October 31, 2020) versus fiscal 2019, although net income fell 11%. The drop in profits is due to the 134% increase in loan loss provision compared to the previous year.



RBC is a top Canadian brand and a rock-solid investment. It has endured the harshest economic meltdowns in recent memory. Like the CPP and OAS, you can expect an uninterrupted income stream if RBC is your anchor stock in retirement.

## Saving isn't a contingency plan

Retirement readiness depends on the stability of an individual's financial situation. The CPP and OAS are there for a lifetime but are inadequate to provide financial security. Also, saving money is a vital component of retirement planning and not a contingency plan.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
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