



How to Retire in Comfort With ONLY Your OAS and CPP Pension

Description

Some Canadian retirees regret taking their retirements too soon when they discover the pensions aren't enough to live comfortably. The Old Age Security (OAS) and Canada Pension Plan (CPP) are guaranteed [lifetime incomes](#), although they are partial replacements to the average pre-retirement income only.

Would-be retirees usually look for the magic number before finalizing retirement decisions. It's good, because you have the motivation to [save and invest](#) until you have a substantial nest egg. However, the magic number is often imaginary. The amount is relative, depending on the desired lifestyle.

Combined pensions

Let's push some numbers to see how much the combined pensions would be. The monthly OAS benefit is available when you reach 65. The maximum monthly payment is \$618.45 (April to June 2021), so it's \$7,421.40 per year. You can take your CPP early at 60, but you risk a permanent 36% haircut in pension payments.

At 65, the average monthly CPP pension is \$689.17 (October 2020). You can expect to receive \$8,270.04 in a year. Thus, the combined OAS and CPP benefits are \$15,691.44.

Delay your pensions

If you think you need more than the combined amount in retirement, a simple and inexpensive way to increase both is to delay until age 70. There's an incentive for pensioners electing to defer payments. Your OAS and CPP pensions will increase permanently by 36% and 42%, respectively.

By waiting five more years, you boost the combined annual pensions. Instead of \$15,691.44, you can expect to receive \$6,145.12 more, or \$21,836.56 per year. The increase is significant, although you should be in excellent health while in waiting.

Lucky are those who have an inheritance or a transfer of wealth from parents or relatives. However, it comes few and far between. Some retirees could live on only the increased pensions, because of financial discipline and excellent money-management skills.

Others aim to be debt-free before retirement, so the pensions could cover most of their needs in retirement. You can also downsize and relocate to places with lower costs of living. The important thing is you do away with useless spending and stick to your budget.

For good measure

Assuming you doubt your potential OAS and CPP payments can't cover all your needs, use your savings to invest for good measure. The income stock most retirees own is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). You can purchase shares of this \$93.99 billion pipeline giant and never sell again.

Enbridge is a Dividend Aristocrat, no less. Besides the 70-year dividend track record, it has raised dividends for 26 consecutive calendar years. Over the past three years, management saw to it the company maintains a double-digit CAGR. The energy stock's total return is 966.37% (12.55% CAGR).

As of April 20, 2021, the share price is \$46.40, while the dividend yield is a generous 7.13%. A \$50,000 investment today will compound to nearly \$200,000 financial buffer for you in 20 years. Enbridge is not a risk-free investment, but its long-term contracts insulate revenues from volume and price risks. Hence, cash flows are stable, while dividend payments are secure.

Weigh your options

Weigh all available options and be aware of the harsh realities of retirement before making a firm decision. The timing to take the pensions is equally important as saving and investing to ensure a comfortable retirement.

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