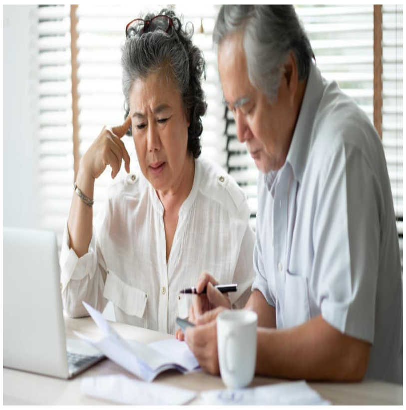

Can You Retire with ONLY Your OAS and CPP Pension in 2021?

Description

Retired residents in Canada are a lucky bunch because they have guaranteed income for life. Programs such as the Old Age Security (OAS) and Canada Pension Plan (CPP) are available when you leave the mainstream to transition to the sunset years. But before you take the retirement exit in 2021, can you retire with no savings and rely on only your OAS and CPP pensions?

The basic rule of thumb

Most retirement experts recommend that you have about 70% of your current income to maintain your current standard of living in retirement. Do some pencil-pushing to see how much you'll receive if you take the OAS and CPP at age 65. The maximum monthly OAS benefit is $615.37 (2021), while the average monthly CPP is $736.58 (for new beneficiaries January 2021).

Boost your pension

Assuming you're earning $5,000 monthly today, you need $2,148.50 more to complete the 70% suggestion or $3,500. The combined OAS and CPP monthly payments come out to only $1,351.95 per month. Your best option now is to avail of the pensions' incentive.

You can defer your OAS and CPP until 70 to boost your pension payments. If you do, the OAS increases permanently by 36% to $836.90. At the same time, your CPP will bump up by 42% to $1,045.94. The delay option or the five years' wait will result in a combined $1,882.85 per month.

After boosting your pensions, the numbers before you indicate that the two government benefits leave you with a large retirement income gap. The next step is to estimate your retirement expenses. Even if you're debt-free going into retirement, you're still in a fix.

Factor in the rising costs of living, inflation, and perhaps medical expenses. You might not haveenough money to set aside for other things like travel or vacations. The retirement life you envision willnot come true. Thus, having other income sources is a must to enjoy a comfortable retirement.

The solution

The solution is to save and build a retirement nest egg separate from your OAS and CPP. If your finances allow, go dividend investing. Canada's fifth-largest bank, for example, is an excellent source of pension-like income. The **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) pays a 4.59% dividend.

CIBC is a no-nonsense investment choice, given its 152 years dividend track record. The $56.97 billion bank stands tall after enduring the severest recessions in the most recent past. Last year wasn't smooth sailing either due to the pandemic and low-interest-rate environment. Despite the headwinds, CIBC survived yet again an economic downturn.

The bank emerged in Q1 fiscal 2021 with a more robust financial performance. Management reported a 34.2% net income growth versus Q1 fiscal 2020. CIBC's President and CEO, Victor Dodig, sums it up, "We made progress on revitalizing our Canadian consumer franchise." The transformation of the bank through technology and innovation continues. You can purchase this top-tier bank stock for $127.21 per share.

Final word

Many prospective retirees assume they can maintain their current standard of living in retirement with only OAS and CPP. The payments are for life, but the absolute amounts will not get you through the rest of your sunset years. It would be best if you had more than the pensions.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/25
Date Created
2021/05/01
Author
cliew