



Retirees in 2021: Can You Retire on ONLY Your OAS and CPP Pension?

Description

The Old Age Security (OAS) and Canada Pension Plan (CPP) are the country's retirement system foundations. Still, many current retirees regret not saving enough. They say the two pensions can't cover all your [financial needs](#) in the sunset years.

Retirement income is relative and depends on a retiree's lifestyle, needs, and wants. However, understand that the pensions are partial replacements only to the average pre-retirement income. It would help to push the numbers to determine whether you can retire in 2021 with only your OAS and CPP.

Maximum OAS

The government-funded OAS is available to seniors who turn 65. Suppose you meet the age requirement and start payments this year, the maximum monthly payment is \$618.45 (April to June 2021). You can boost the benefit amount by 36% (7.2% per year) permanently by deferring your OAS until age 70.

Average CPP

The CPP, a contributory social insurance program, is integral to the retirement plan of Canadian workers. Anyone who has contributed enough could receive the full or maximum monthly payment of \$1,203.75. Since not everyone has done so, the average CPP is \$736.58 per month (as of January 2021).

CPP users can start payments as early as 60, although the downside is a 36% permanent reduction in the pension amount. This option is practical for those with urgent financial needs or pressing health issues. You can also go for the incentive, or a 42% permanent increase, by delaying the payment until age 70.

Combined pensions

If you're taking both pensions at age 65, the combined maximum OAS and average CPP is \$1,355.03 per month, or \$16,260.36 annually. The computation is only a guide, although it gives you an idea of the amount you'll work around, more or less. The CPP may vary and is subject to the actual amount and length of contributions.

Retirement experts suggest at least 70% of the average pre-retirement income to enjoy a [comfortable retirement](#). If the CPP indeed replaces 25%, then the OAS represents about 21%. Would-be retirees need to fill an approximately 54% shortfall.

Eternal wellspring

A wellspring, figuratively speaking, implies an infinite amount of something. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) could be the wellspring, or third source of pension-like income. Canada's oldest bank and the fourth-largest lender is a dividend pioneer. BMO's dividend track record extends as far back as 1829, and it hasn't missed a dividend payment in 192 years. Now is an excellent time to own BMO shares if you're building a nest egg.

The \$81.68 billion bank reported solid earnings in Q2 fiscal 2021 (quarter ended April 30, 2021). From \$689 million in Q2 fiscal 2020, net income rose 89.1% to \$1.3 billion. For the first half of the year, provisions for credit losses (PCL) are down to \$216 million from \$1.4 billion in the same period in 2020.

Its Canadian personal and commercial banking segment recorded the most significant profit gains during the quarter. BMO's CEO Darryl White said the bank is executing a consistent, purpose-driven strategy, which is a win for would-be investors.

Invest long term

BMO trades at \$126.19 per share and pays a 3.34% dividend. Theoretically, you need to accumulate \$252,500 worth of shares to generate an income equivalent to the combined annual OAS and CPP benefits. If successful, you could enjoy retirement to the fullest and be free of financial stress or dislocation.

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