Boost Your CPP and OAS Pension With 1 Simple Strategy

Description

The anxiety level of retiring Canadians is rising. The 2021 Retail Investor Sentiment Survey results by **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) reveal some fears. About 72% believe they are falling short of their retirement goals, while 32% think they can't retire at their desired age due to the pandemic.

Moreover, nearly three in every 10 people are afraid they can't settle their debts before retirement. Lastly, 44% assume they need around $1 million in retirement savings to finance their retirement lifestyles. Interestingly, 58% of men and 43% of women feel they are on track to achieve their retirement goals,

Most Canadians, regardless of gender, rely on the Canada Pension Plan (CPP) and Old Age Security (OAS) in retirement. The standard take-up of both pensions is 65. CPP users can start payments at age 60, although there's no early option for the OAS. However, retirees have one simple strategy to receive higher CPP and OAS pension payments.

Financial incentives

Barring personal health issues or urgent financial needs, prospective retirees can defer their CPP and OAS payments until age 70. The financial tradeoff is higher payments in both. For the CPP, the incentive is a 42% permanent increase (8.4% per year before 70) in the pension amount.

However, delaying the OAS entitles you to receive 36% more, or 7.2% yearly, before age 70. However, note that if you're still working after 65, you must make CPP contributions until the age you defer collecting the pension.

Post-Retirement Benefit

CPP users can increase their retirement income further through the Post-Retirement Benefit (PRB). You might be eligible to receive PRB if you're 60 to 70, working and contributing to the CPP, and receiving the CPP or the Quebec Pension Plan (QPP).

The caveat for this benefit is that both employee and employer must continue to make CPP contributions. Self-employed individuals must contribute the employee and employer portions. CPP contributions stop when you reach 70. Generally, the maximum PRB is equivalent to 1/40th of the maximum CPP. If you contribute less than the maximum, your PRB is proportional to your CPP contributions.

High-yield big bank stock

The household savings rate increased during the health crisis, as recipients of pandemic money saved instead of spending it. The results of Scotiabank's survey also revealed that Canadians see the financial markets as valuable vehicles for retirement plans. About 59% of the poll respondents are investing in 2021.

It's not too late to build a substantial nest egg. If your finances allow, purchasing shares of Scotiabank will allow you to create more income in retirement. Canada's third-largest bank pays the highest dividend among the Big Five banks. At $80.89 per share, the dividend yield is 4.5%.

The profit of this $98.19 billion bank is soaring. Like its industry peers, Scotiabank is cash-rich and sitting on billions of dollars after the second quarter of fiscal 2021. It's welcome news for investors, because the chances of future dividend increases are high.

Scotiabank analyst Meny Grauman said the level of excess capital is unheard of, as the economy held up a lot better than expected. Whether the bank maintains or hikes the yield, you can purchase this blue-chip stock and hold it forever.

A straightforward strategy

Future retirees should weigh their retirement options carefully. However, healthy Canadians can increase pension payments significantly with a straightforward strategy.

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