



How Retirees Can Preserve Savings & Boost Pensions in 2021

Description

The [uncertainty](#) brought by the pandemic heightened the challenges of prospective and current retirees. Maintaining a reasonable quality of life isn't easy if you were to rely on your pensions alone.

The Canada Pension Plan (CPP) and Old Age Security (OAS) are lifetime pensions, although they can go as far as replacing less than half of the average pre-retirement income. If you have socked away money for retirement, you don't have to touch it. You can preserve savings and boost [pensions](#) in 2021.

Dividend income

Dividend investing is the most straightforward approach and intelligent solution if you want to preserve your savings. Besides the CPP and OAS, many Canadians have investment income as the third pillar in the sunset years. Your principal remains intact while receiving lasting passive cash flows.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) and **Summit Industrial** ([TSX:SMU.UN](#)) can provide a significant amount of healthy long-term returns. Both companies have quality businesses that can overcome market volatility or downturns. You increase your chances of preserving and even growing your capital.

Healthy long-term returns

CIBC is Canada's fifth-largest bank, but it's not inferior to **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Bank of Nova Scotia**, and **Bank of Montreal**. In Q2 fiscal 2021 (quarter ended April 30, 2021), for example, it was the only one among the Big Five banks that reported more than 300% growth in net income versus Q2 fiscal 2020.

Like its larger industry peers, CIBC's dividend track record is more than a century (153 years). Its market cap stands at \$64.27 billion, with \$3.5 billion in excess capital after Q2 fiscal 2021. At \$143.12 per share, the dividend yield is 4.08%. Likewise, the stock is the top performer in the banking sector thus far in 2021 (+34.52%).

Victor G. Dodig, CIBC's president and CEO, maintains a positive outlook following the impressive quarterly results. Its Canadian Personal and Business Banking segment is the core growth driver. The adjusted net income of its U.S. Commercial Banking and Wealth Management unit grew 616% year over year.

Proven asset class

Summit Industrial, a \$3.19 billion real estate investment trust (REIT), is a high-quality asset in the 21st century. The share price (\$19.01) is 87% cheaper than CIBC, while the dividend yield is a decent 2.97%. This industrial REIT is popular with income investors because of the low-risk business model and quality of dividends.

Light industrial properties were already in demand before the pandemic due to the e-commerce boom. Apart from the high-value generic-use space of its 157 industrial properties, Summit enjoys strong fundamentals. The competitive advantages include low market rent volatility, low operating costs, high occupancy rate (98.2%), and weighted average lease term (5.5 years).

Deferral option

Canadian seniors with no health issues or urgent financial needs can defer their CPP and OAS payments until age 70. The five-year wait will [boost both pensions significantly](#). For the CPP, the incentive is a 42% permanent increase in pension payments. Your OAS will increase by 7.2% per year after 65 or a 36% overall boost.

Retirement life should be more enjoyable if you have three or more income streams. Moreover, financial dislocation or outliving your savings won't be a concern anymore. Since you're living off dividends, too, the lump sum invested capital is intact.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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

3. TSX:SMU.UN (Summit Industrial Income REIT)

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