



CPP Pension and OAS: Enough to Survive in 2021?

Description

Rushing [retirement decision](#) amid a raging pandemic is foolish. Foolish because of the uncertainties brought by the health crisis. Would-be retirees need to assess whether they could survive in 2021 with only the Canada Pension Plan (CPP) and Old Age Security (OAS) as anchors.

Both pensions are for life but not a 100% replacement of the average pre-retirement income. It could replace less than 50%, at best, if you combine them. Take the cue from current retirees who regret not having saving enough for retirement. The retirement years could be more challenging than when you were working.

Avoid financial dislocation

Financial dislocation is a certainty in the sunset years if you don't have enough resources. Besides recurring living expenses, you need to cope with rising inflation and emergency or medical expenses that crop up from time to time.

Canadians with foresight will create additional income through [dividend investing](#). Companies like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **Imperial Oil** ([TSX:IMO](#)) are suitable for retirees since both haven't missed a dividend payment in more than 100 years.

Dividend machine

Given its extensive track record, Canada's largest telecom, BCE, is a TSX Dividend King. BCE first paid dividends in 1881 or only a few years after the telephone's invention. The country's Big Five banks have been paying dividends for more than 100 years, too, although none could match the telco's dividend yield today.

For 2021, the average monthly CPP and maximum monthly OAS at age 65 is \$706.57 (March 2021) and \$626.49 (July 2021). The combined total per month is \$1,333.06. With BCE's 5.47% dividend, you would need to accumulate \$292,500 worth of shares (\$64.44 per share) to match your CPP and OAS

monthly pensions.

The best thing about dividend investing is that you can start small, accumulate more shares, and keep reinvesting the dividends. Assuming you have \$100,820 and BCE's dividend remains constant, the money will grow to \$292,500 in 20 years.

BCE is a telecom giant that dominates the telco industry. Over the last three years, the \$58.37 billion company averages \$23.4 billion in revenue and \$2.9 billion in net income. You have a [dividend machine](#) if you make BCE your core stock holding in retirement.

Outstanding dividend stock

Imperial Oil trades at \$33.17 share and offers a modest 2.87% dividend. However, the \$23.37 billion subsidiary of American oil giant **Exxon Mobil** is an outstanding dividend stock like BCE. The energy stock has been paying dividends since the 1880s.

The impact of the oil price collapse and the COVID-19 pandemic in 2020 was hard on the energy sector. Thanks to the strong balance sheet and Imperial Oil endured the headwinds. Today, energy is a TSX top performer among the 11 primary sectors. As of August 16, 2020, Imperial Oil (+51.75%) outperforms even BCE (+21.95%) and the broad index (+17.5%) year-to-date.

After reporting improved business performance and \$392 million profit in Q1 2021, Imperial Oil increased its dividends. CEO Brad Corson, said, "We have paid a dividend reliably for over 100 consecutive years now and grown it in each of the last 26 years."

Lasting income

While it's possible to survive with only the CPP and OAS, it would entail frugal living. Remember, you have the option of lessening financial stress in retirement by owning reliable assets that deliver lasting income like your pensions.

CATEGORY

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