It’s a Bad Idea to Retire With Only Your OAS and CPP Pension

Description

The Old Age Security (OAS) and Canada Pension Plan (CPP) are retirement foundations in Canada. A senior who turns 65 is automatically eligible to receive the OAS benefits. An employed or self-employed individual with regular contributions to the CPP can claim the pension at 65 or earlier at 60.

Most Canadians look forward to both pensions because they are for life. However, it could be financially risky to rely on your OAS and CPP alone in retirement. Even the CPP Investment Board (CPPIB) wants CPP users to know that it helps create retirement security for generations but not 100%.

Increase your OAS and CPP

Eligible recipients can elect to delay the OAS and CPP payments until 70 to increase the amounts permanently by 36% and 42%, respectively. This option is practical if you’re in perfect health or don’t have urgent financial needs. However, it would help if you still did some pencil-pushing to ascertain whether the increased pensions would be enough.

For conservative purposes, let’s use the average CPP and maximum OAS as base figures. Most CPP users starting pension payments at 65 would receive $619.44 (March 2021) every month. The monthly OAS increased to $626.49 effective July 2021. Thus, the combined total is $1,245.93 monthly or $14,951.16.

Assuming you take advantage of the incentive, your monthly OAS and CPP payments will increase to $852.02 and $870.60. Assess your retirement expenses to see if $20,779.57 is enough to live on in the sunset years.

Bump up your retirement income

Prospective retirees who want to enjoy retirement to the fullest will find ways to bump up their income. Investing in an established income stock like the **North West Company** (TSX:NWC) will provide a much-needed supplement to your pensions. The $1.78 billion grocer dominates far-flung and hard-toreach communities.

You can say that North West is as dependable as Canada's Big Five banks regarding dividend payments. You can buy a share for $36.83 to partake of the 3.91% dividend. A $50,000 investment will generate $1.955 in yearly dividends. Moreover, this consumer-defensive stock has returned 63,255.21% (23.21% compound annual growth rate) in the last 21 years.

Business resiliency and a captured market are North West's competitive advantages. Remember, the company has built a legacy throughout its 353 years of corporate existence. It's one of the oldest companies in Canada, too, so it should be trustworthy.

Back up income

Rogers Sugar (TSX:RSI) operates a low-growth business, yet it's one of the most suitable income stocks for retirees. Note that consumer staples are safe havens because the business is enduring. At only $5.39 per share, the $558.87 million company pays a super high 6.68% dividend.

Any amount you invest in this sugar and maple producer would double in less than 11 years (10.77). Assuming you accumulate $75,000 worth of shares, the investment value will compound to $152,747.58 within the said time frame. By then, you'd be generating $10,203.54 in dividends annually. It should be a solid buffer in your retirement years.

Fill the income gap

Compute your potential retirement expenses meticulously and match them with your retirement foundations. In all likelihood, there would be an income gap that you need to fill. Your OAS and CPP are guaranteed lifetime incomes but won't provide the same quality of life in your working years.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:RSI (Rogers Sugar Inc.)

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