CPP and OAS Combined Only Pays This Little

Description

Canadians will not be penniless or have zero income source in retirement, thanks to the Old Age Security (OAS) program. Those who made contributions to the Canada Pension Plan (CPP) will have more to subsist on when they retire. However, the combined post-retirement benefits may not necessarily cover all financial needs in the sunset years.

Would-be retirees should pay particular attention to the replacement level. According to the Canada Pension Plan Investment Board (CPPIB), the current CPP pension replaces 25% of the average pre-retirement income. It will eventually increase to 33.33% when the ongoing enhancements are complete.

Combined pension amount

If you focus on the here and now, the maximum CPP monthly payout is $1,203.75, while the monthly OAS benefit is $635.26 (October to December 2021). Note that the amounts are for people retiring at age 65. Since most CPP users receive only the average pension of $619.68 (June 2021), the combined total is $1,254.94 per month.

Based on CPPIB's assessment, the average pre-retirement income is $2,541.04. Thus, the average CPP plus the maximum OAS (49.38%) still fall short if you want a 100% replacement. You would need an additional $1,286.10 in pension-like income to live comfortably in retirement or maintain your current lifestyle.

Wealth stock

Canadian Utilities (TSX:CU) is best for people saving for retirement or building retirement wealth because dividends grow every year. The dividend growth streak of this utility stock is 49 years. If management raises the yield again next year, it becomes TSX's first Dividend King.

The payouts of this $9.79 billion diversified global energy infrastructure corporation are sustainable due to its highly contracted and regulated earnings base. Since it spends billions on regulated operations,

COMPANY NAME
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Canadian Utilities has a solid foundation for dividend growth.

Total investments in regulated and long-term contracted assets should reach around $3.5 billion from 2020 to 2022. The high-quality earnings base should strengthen further when the three-year capital plan is complete. Better scoop the stock now while it trades below $50. At $36.32 per share, the dividend yield is an attractive 4.84%.

Solid Big Bank stock

The **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is a solid investment. In the most recent earnings season, Canada's fifth-largest bank announced a [10% dividend increase](#) effective at the end of Q1 fiscal 2022. The current share price is $146.89, while the dividend yield is 3.98%.

Victor Dodig, CIBC president and CEO, cites growth in its strategic business units for the strong financial performance in fiscal 2021 (year ended October 31, 2021). Notably, its U.S. Commercial and Wealth Management division reported a 147% increase in net income versus fiscal 2020.

Moreover, its Canadian businesses and capital markets had year-over-year growth between 39% and 42% respectively. Dodig said CIBC is well positioned for growth entering fiscal 2022 because of a strong capital position and clear momentum across its businesses. In early October 2021, CIBC unveiled a new logo that symbolizes the client-focused culture of the bank.

One or more income sources

Some retirees defer or start their CPP and OAS payments until 70 to have a 42% and 36% permanent increase in pension amounts. However, it would still be best to have one or more income sources to ensure your financial security in retirement.

CATEGORY

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