



## Retiring Canadians: How is Your Readiness in 2022?

### Description

The most recent Canadian Retirement Survey conducted by Abacus Data for the Healthcare of Ontario Pension Plan (HOOPP) found that 75% of respondents believe a retirement income crisis is emerging. Furthermore, 66% of Canadians are very concerned about significant increases in the day-to-day cost of living.

Rising interest rates and soaring inflation diminishes people's ability to [save for retirement](#). Nearly 83% are sure that if inflation remains out of control, they will have to push back their retirement dates.

### Common retirement income sources

Old Age Security (OAS) is available to all Canadians 65 years or older, with or without employment histories. General revenues collected by the Canadian government fund the program for seniors or retirees. For the Canada Pension Plan (CPP), only employed and self-employed individuals who have contributed to the CPP Fund are eligible to receive this government-administered program.

Since common retirement income sources in Canada are partial replacements to pre-retirement income only, financial dislocation during the sunset years is a strong possibility. Some retirees delay payments until 70 to boost benefit amounts. OAS and CPP benefits increase permanently by 36% and 42%, respectively, with these options.

While the Canada Revenue Agency (CRA) indexes both pensions to inflation every year, there's a considerable income gap to fill. Without a third income source, it's doubtful you'll be able to maintain your current lifestyle. Your level of savings is still the key to enjoying quality of life in retirement.

### Investment accounts

The Registered Retirement Savings Plan ([RRSP](#)) and Tax-Free Savings Account ([TFSA](#)) are still the best investment vehicles to build a healthy nest egg. Because of their tax-shelter and tax-free features, money grows faster. However, to realize this growth, you must have income-producing assets, not

cash, inside the accounts.

Most users of these accounts prefer to hold more dividend stocks over other eligible investments like bonds, mutual funds, and guaranteed investment certificates (GICs). Generally, dividends comprise a large percentage of a stock's total return.

Also, dividend stocks allow you to realize the power of compounding by using the dividends to purchase more shares of the same stock. Some companies have a dividend reinvestment plan (DRIP) for investors' convenience.

## Top retirement stock

If finances allow, consider contributing to an RRSP or TFSA and [start investing](#) in Canada's largest bank. The **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is a no-nonsense investment and an ideal core holding for long-term investors. Besides its impressive dividend history (a track record of 152 years and counting), the \$173 billion bank can roll with the punches in any environment or market cycle.

RBC's solid capital position and financial strength are compelling reasons to trust the Big Bank with your money. You can expect RBC to endure an economic downturn or recession like it did on several occasions in the past. It has a strong balance sheet, high-quality credit portfolio, and a common equity tier 1 ratio of 13.1%, which is well above regulatory requirements. This indicates the bank's financial strength to withstand external shocks.

The current dividend yield of 4.15% isn't the highest in the banking sector or on the **TSX**, but it should be safe and sustainable because management's payout ratio is less than 45%. A \$20,000 position will generate \$207.50 in dividends every quarter. At \$123.89 per share, you'd be buying peace of mind too.

## Sacrifice for retirement security

In the current market environment, retirement security is under threat. However, it pays to sacrifice some of your financial resources today for savings and investments that will improve your retirement readiness.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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