



Retirees: 5 Ways to Make Sure You Don't Outlive Your Money

Description

In today's world of low interest rates and virtually nonexistent defined benefit pension plans, and with retirees living longer than ever, running out of money is a very real risk for folks retiring in 2015.

The best solution would be to travel back in time and save more. Since we haven't invented time machines, it's not a practical solution. Besides, expenses like having a mortgage, sending kids to college, and taking an annual vacation prevented many Canadians from saving enough. Expensive mutual funds and a lack of financial education haven't helped either.

Still, retirees don't have to fret. Here are five ways to stretch your savings a little further.

Lower your living costs

It might not be a popular opinion, since many retirees like the amenities offered by big cities. And many are dealing with adult children still living at home, who have jobs in the same cities.

But moving to a smaller centre can easily add hundreds of thousands to your investable assets, especially if you're downsizing at the same time. A nice house in Toronto or Vancouver can easily fetch \$1 million, while a condo in a smaller city can be had for only a couple hundred thousand.

The difference will go a long way towards funding a comfortable retirement.

Work part-time

Every retiree I talk to tells me the same thing. There's nothing that beats the flexibility of not heading into work each day.

But at the same time, it's silly to give up work altogether. It's never been easier for a retiree to pick up a few extra bucks, whether it's in the same field as before or in something completely new. The Internet has revolutionized the gig economy, which is very good news for somebody looking to earn a few extra bucks part-time.

Delay CPP

Canada Pension Plan (CPP) payments are likely to make up a big part of a retiree's income, especially for someone who has worked steadily over the last 40 years.

Retirees can easily do one thing to maximize their CPP benefits, and that's delay taking any money from the plan for a couple of years. Say a retiree was looking at \$10,000 per year in benefits if they took their CPP starting at age 65. If they delay it to age 68, that benefit would increase some 25%, to approximately \$12,500. For a couple both collecting the same amount, that small change can really add up.

Invest in REITs

Real estate investment trusts have long been popular with retirees, mostly because of their juicy yields.

One REIT that has delivered dependable income for years is **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)), Canada's largest owner of retail space. It owns or manages some 79 million square feet worth of leasable area spread out over almost 300 different developments.

Thanks to general weakness in the sector, shares of the company have sold off to the point where they now yield 5.8%, which is the highest yield since 2013. The company has a payout ratio of approximately 85%, which means the yield is secure. Plus, RioCan hasn't missed a dividend since it became publicly traded in 1997. That's the kind of consistent performance that can fund a retirement.

Dividend-growth stocks

These days, dividend-growth stocks are very popular with retirees. If everything goes to plan, it ensures a big enough annual raise to offset any increases in living expenses.

One stock that offers a great combination of current yield and dividend growth is **National Bank of Canada** ([TSX:NA](#)). Shares currently yield 4.9%, and the company trades at a price-to-earnings ratio of just 9.5. That not only makes it the cheapest bank in the country, but it also makes it one of the cheapest companies in general.

Plus, there's still plenty of potential to up the payout. Analysts expect earnings to grow approximately 5% per year through 2016, and the current payout ratio is under 50% of earnings. Combine that with a dividend-growth rate that's been greater than 10% per year since the Great Recession, and it's easy to see why National and its peers are such popular stocks for retirees.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Author

nelsonpsmith

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