



You Can Retire Comfortably

Description

Just about everyone would like to retire comfortably one day without relying on their job's income. When it's time to retire, either you have amassed enough savings or you have developed other means to generate a passive income.

It's difficult to calculate the savings you need for a comfortable retirement, but it's simpler if you know how much passive income your assets are generating each year.

Live within your means

The first step towards retiring comfortably is to live within your means. You should always spend less than the amount you make. Start by saving 10% of your income. Challenge yourself. See if you can bring it up to 50% or more.

If you think it's impossible, list your expenses. Identify them as needs or wants. For example, buying groceries is a need and eating out is a want. The needs are the items you can't live without. Make a list of your spending and reduce your wants. By cutting out some wants, you'll increase your savings.

Invest for passive income

Once you have leftovers from your paycheck every month, you can start investing for passive income. That is, you can invest in assets that generate income for you. For example, you can buy an investment property or a farm and receive rent. However, those investments require a huge amount of capital up front.

Your monthly savings are probably not enough for a down payment. So, you might want to initially invest in low-cost exchange-traded funds (ETFs) such as **Vanguard Dividend Appreciation ETF** (NASDAQ:VIG) or **Vanguard FTSE CDN Capped REIT Index ETF** ([TSX:VRE](#)) to grow your capital. Both pay a dividend of about 2%.

If you're interested in buying individual stocks for income, you can pool your savings over time. It might be worth it to buy a stock when your savings reach \$1,000 for a trading fee of \$10.

Cost is one consideration. By building a passive dividend portfolio, you'll need to determine what to buy and what price to buy at. Thankfully, there are websites, including the Motley Fool, that give you ideas.

The Canadian banks, particularly **National Bank of Canada** ([TSX:NA](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), look cheap. Because of their price declines they yield 5.4% and 5%, respectively. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) performed relatively well last year because they have sizeable earnings from the United States. The strong U.S. dollar is helping them. They yield 4.3% and 3.8%, respectively.

For higher income, there are real estate investment trusts that own, operate, and manage real estate assets that pay yields of 6% or higher.

They include **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)), the retail REIT leader that yields 6%, **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)), a diversified REIT that yields 6.7%, and **NorthWest Health Prop Real Est Inv Trust** ([TSX:NWH.UN](#)), a healthcare REIT that yields 9% and collects rent from hospitals and medical office buildings from its assets in Canada, Australasia, Brazil, and Germany.

If you buy these stocks in your TFSA, you can start earning tax-free, passive income.

Conclusion

By leading a lifestyle in which you spend less than what you earn, you can save. By saving and investing for passive income, you can start building a second income on top of your job's income. Maybe one day that income will replace your job's income.

Start small and invest only in what you're comfortable with as you learn to be a good investor. The earlier you start, the more comfortable your retirement will be.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:HR.UN (H&R Real Estate Investment Trust)
6. TSX:NA (National Bank of Canada)
7. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
8. TSX:REI.UN (RioCan Real Estate Investment Trust)
9. TSX:RY (Royal Bank of Canada)

10. TSX:TD (The Toronto-Dominion Bank)

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