



## Millennials: How Anyone Can Become an RRSP Millionaire

### Description

A million dollars seems like a daunting amount of money, especially to somebody just starting their financial journey.

Unfortunately, it might not be enough. Depending on one's lifestyle, a nest egg of \$1 million for a retirement starting in 2016 could be iffy. If we use the oft-mentioned 4% rule—which states a safe withdrawal rate for retirement funds is 4% of the portfolio per year—that means a retiree can safely take \$40,000 per year out in income and not have to worry about eventually running out of money.

That should be plenty in 2016, since retirees don't have many expenses. Usually they have a house that's paid for, and it's easy to share one car, since nobody has to go to work. And, perhaps most importantly, they no longer have to save for retirement.

But 35 years from now, \$40,000 isn't going to buy a whole lot. If inflation averages just 2% per year, buying power will cut in half from today's levels. \$40,000 in 2051 will be the equivalent of \$20,000 today.

Sure, things like government pensions should still be there to help, but those are designed to be a minor portion of retirement earnings.

Fortunately for investors just starting out now, it's not terribly difficult to amass more than \$1 million in retirement savings. All they need to do is consistently save, put that money into high-quality stocks such as **Fortis Inc.** ([TSX:FTS](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), and let compound interest work its magic.

### Why Telus and Fortis?

I'm a big believer in investing in stocks that are easy to understand.

What's easier to understand than Fortis, a business that provides electricity and natural gas services for millions of North American homes and businesses?

Fortis has grown into a real powerhouse. It has operations in British Columbia, Alberta, Ontario, the Maritimes, New York State, Arizona, Belize, and the Caribbean. The company is also in the middle of acquiring **ITC Holdings**, which owns power plants in Michigan, Iowa, Minnesota, Missouri, Kansas, and Oklahoma.

Fortis is one of Canada's top dividend payers, increasing its payout each year since becoming a publicly traded company back in 1972. Back then, the annual dividend was less than a dime per share. In 2015, it was \$1.3950. It's on pace to be \$1.52 in 2016, which is a current yield of 3.7%.

Over the last decade, someone who reinvested their Fortis dividends back into the stock would have enjoyed an annual return of 10.1%.

Telus is another easy to understand business. It provides wireless, Internet, home phone, and television services to more than 12 million customers.

Average revenue per unit, an important metric in the wireless space, continues to creep up. In its most recent quarter, Telus charged customers an average of \$63.08 per month, an increase of 1.2% compared with the same quarter last year. Combine that with continued growth in Internet and TV subscribers, and investors have a telecom that's increasing the top line nicely.

Like Fortis, Telus pays a terrific dividend. Shares currently pay a \$0.46 quarterly dividend, good enough for a 4.5% yield. Over the last few years, dividend growth has been fantastic, rising from \$1.08 per share in 2011 to a projected dividend of \$1.80 this year.

Telus shareholders have also been rewarded nicely over the last decade. Including reinvested dividends, annual growth has been 10.5%.

## How to get to \$1 million

Getting to \$1 million takes patience, determination, and not as much capital as you'd think.

A 30-year-old investor who starts with just \$5,000 today and contributes \$5,000 annually to an RRSP for 35 years will end up with a nest egg of \$1.63 million, assuming a 10% annual return. Both Telus and Fortis have done this over the long term, so it isn't much of a stretch to assume these stocks can continue that performance.

Assuming a 4% withdrawal rate, this nest egg will enable an investor to take out \$64,000 per year. After inflation, that's the equivalent of about \$32,000 today. That might not be enough for a retiree to do everything they've ever wanted, but it is a nice start.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:TU (TELUS)

2. TSX:FTS (Fortis Inc.)
3. TSX:T (TELUS)

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