



Low Capital? No Problem! 3 Easy Ways to Stretch Even Meager Retirement Savings

Description

If you believe various financial pundits and bankers who happen to make it onto TV, anybody without a nest egg of at least \$1 million is resigned to a retirement filled with constant worry about running out of money.

Generally, the rule of thumb is that someone should have about 70% of their pre-retirement income during their golden years, plus have some sort of built-in inflation protection. Many retirees achieve this by investing in a portfolio of dividend-growth stocks.

But I'm not sure I buy that argument. First of all, retirees don't have anywhere near the expenses as working folks do. They don't have to commute to work or buy business casual clothing. They can easily make sacrifices like dropping one of two cars. Taxes paid tend to go way down. And, perhaps most important of all, they no longer have to save for retirement.

So if you only have \$500,000 saved for your golden years, or even less than that, don't sweat it. You too can have a great retirement. Here are three tips to make your cash stretch even further.

Know the rules

One of the nice things about being a senior is the government has various programs to help you out.

Canada Pension Plan is a given for just about everyone, but that's not really what I'm talking about. That's your money that was contributed over the years.

Old Age Security is available to just about every Canadian over the age of 65. As long as you've lived in Canada your whole life and don't have too much other income, you'll qualify for the maximum benefit of \$573.37 per month. If you're married, that's more than \$1,100 per month.

And then there's the Guaranteed Income Supplement. The rules are a little more complex, but the gist of it goes something like this: if you're making under \$30,000 per year in retirement, chances are you qualify for some sort of assistance.

Move

Many Canadians living in places like Toronto, Vancouver, and Calgary are faced with an interesting dilemma. Much of their net worth is tied up in property, particularly in a principal residence.

There are various ways to access that cash. Some folks use reverse mortgages; others just use plain ol' lines of credit. But by far the easiest way to collect the value of the property is to sell it and move.

Many folks will want to stay in the same city, citing proximity to their children and medical care as the primary reason. But before making the decision, I urge these people to at least check out some surrounding small towns. Smaller communities offer a low cost of living, a slower-paced lifestyle, and many other perks that appeal to retirees.

Own great dividend stocks

The final way for retirees to stretch their retirement dollars is to own some of Canada's top high-yield stocks.

Take a company like **Aimia Inc.** ([TSX:AIM](#)). The company is the owner of Aeroplan, which is Canada's largest consumer loyalty program. Millions of Canadians dutifully collect their Aeroplan miles towards free flights and other perks. Meanwhile, Aimia gets to invest that cash, collecting interest on it.

According to a recent investor presentation, Aimia is projected to earn between \$190 and \$210 million in free cash flow for 2016, while paying out about \$120 million in dividends. That's the kind of payout ratio people who are investing in shares that yield 9.6% like to see.

Another good high-yield choice for retirees is **Power Financial Corp.** (TSX:PWF), a holding company with stakes in some of Canada's largest financial services companies including **IGM Financial** and **Great-West Lifeco**. Shares currently trade hands at just over 11 times earnings and yield more than 5%.

An investment of just \$25,000 in each of these companies would generate \$3,755 in annual income, or more than \$300 per month. For a retiree watching their pennies, \$300 extra per month is a huge blessing.

Be smart in retirement

Although saving more will always make retirement easier, folks without seven-figure portfolios don't have to sweat it. By making a few smart moves, even a small nest egg can go a long way.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)

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