

Retire Rich by Following These 5 Easy Tips

Description

There's nothing worse than being forced to retire and realizing you don't have enough cash to comfortably last your golden years.

We all think it won't happen to us, but the world is filled with stories of people who were cruising along at 55 or 60, making great money as a middle or upper manager, finally prospering after a lifetime of working hard. Then cutbacks happen and suddenly they're out of a job.

We need to prepare for contingencies like that. Even if such a thing doesn't happen to you, it's still good to have a backup plan. Having too much money for retirement is much more preferable than not having enough.

Here are five ways regular investors can ensure they have enough to make all of their retirement dreams come true.

Mortgage interest

Most people don't give a second thought about their mortgage rate. As long as it's decent, they're happy.

But even a small difference in rates can make a big difference. Say you owe \$300,000 on your house and manage to negotiate an interest rate of 2.49% versus 2.89%. Now, 40 basis points doesn't seem like much, but over a five-year term it adds up to \$3,600.

An extra \$60 per month contributed to retirement can really make a difference over 40 years of saving.

Be smart about housing

We all know people who own way too much house for their needs, convinced they're going to grow into it. Perhaps, but I think they're looking at it all wrong.

Say you spend an extra \$400 per month on increased utilities, taxes, and mortgage interest because your house is 700 square feet bigger than you need. That money really adds up over time. It ends up costing a lot more than the alternative, which is living in a smaller place and then moving when the time comes.

Buy used cars

We all love that new car smell, and it is tempting to buy a car that you know hasn't been abused by the previous owner. Still, you'll save a lot of money buying used, even if it's just a couple of years old. A \$5,000 savings once or twice every decade adds up to serious coin over the years, especially if it's invested smartly.

Take advantage of registered accounts

There are many folks that love their RRSPs who aggressively put every penny available into their accounts and then invest the tax refund as well. And then there are the TFSA folks who would rather max that out because of perks like flexible withdrawals.

Each account has its pros and cons. The important thing is you use at least one of them to shelter gains. Deferring tax is extremely valuable.

Buy great stocks

There's another easy way to defer taxes. You just buy the best stocks you can find and hold them for a very long time, reinvesting the dividends.

One example is **National Bank of Canada** ([TSX:NA](#)), the forgotten member of Canada's dominant banking cartel. Although the company really lacks a true international division—unlike its peers—it has a number of things going for it, including a cheap valuation, an attractive 4.6% dividend yield, and the potential to expand inside Canada.

Another great stock to own over the long term is **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)). The company has quietly become a manufacturer of choice for the world's auto giants, establishing operations around the world. It has the engineering expertise to be an important supplier as technology revolutionizes the industry. And, perhaps most importantly, it trades at an insanely low valuation of less than eight times earnings.

The bottom line

Ensuring you have enough for retirement isn't something that can be planned in a week or two. It takes years of sacrifice and smart decision making. Investors also need to choose great stocks to own over the long term. It's not easy, but with smart planning we can all make sure we have enough to live the retirement of our dreams.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:NA (National Bank of Canada)

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