

Retirees: 4 Easy Ways to Make Sure You Don't Outlive Your Money

Description

It used to be easy to exchange capital for income. All you needed to do was head down to the bank, and you could get a GIC for 4%, 6%, or even more, depending on interest rates. And that was before the age of the internet. It's obvious consumers weren't quite as informed back then.

These days, it's a lot tougher. GICs from big banks pay less than 2% annually. It's possible to get more than 2% from credit unions and other smaller, online-only banks, but those GICs often come with cumbersome restrictions. One leading provider even says right on its website that customers have to prove an emergency if they want to take out their cash early.

Retirees are now essentially forced to invest in the stock market. But that's exceedingly difficult, especially for someone without much finance knowledge. And most don't want to acquire it. They want to golf in retirement, not learn about price-to-earnings ratios.

We can help. Here are four simple ways to ensure anyone has enough to retire.

Start yesterday

Much of the heavy lifting for retirement is done decades before you plan to quit working.

Look at it this way.

Say you manage to save up \$10,000 30 years before retirement. If you tucked that money in a retirement account and earned 8% on it, it would be worth \$100,000 when it's time to pull it out. Not bad!

Compare that to somebody who manages to save twice as much (\$20,000), but only puts it away 10 years before retirement. That investment would be worth \$43,200, give or take a few bucks.

Starting early matters. It really lets the compounding machine get to work.

Delay CPP

If they choose, Canadians can take their Canada Pension Plan (CPP) payments starting at age 60 versus the more traditional age of 65.

But if they do so, they're looking at a decrease in benefits of about 25%. So if you were looking to get \$12,000 per year at age 65, it would be about \$9,000 per year starting at age 60. That's a big difference, especially for somebody without a huge amount of additional income.

There's another option. Under current rules, somebody who can delay taking CPP until age 68 will be looking at an additional 25% per year versus someone who opted to take payments at age 65. That would turn \$12,000 per year into \$15,000 per year.

Get a part-time job

I'm a big advocate for retirees getting part-time jobs, even if it's at minimum wage.

Boredom hits most retirees like a ton of bricks. Most go from working five days a week to not working at all. For a few weeks, it's great. It feels like being on vacation.

But then reality sets in. The honey-do list is done. The grandkids have gone back to living their normal lives. And there are only so many rounds of golf one can play. A part-time job is a great way to stay active and help ensure retirement savings go a little further.

Assuming the 4% withdrawal rule, earning \$10,000 per year at a part-time job is the equivalent of saving an additional \$250,000.

Buy great stocks

Investing doesn't have to be complicated. All retirees need to do is buy shares of some of Canada's top companies and then sit back and watch the dividends roll in.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is a great example. It has a dominant position in the wireless market and provides internet, phone, and television for millions of Canadian households and businesses. It has been an aggressive buyer of its own shares, and it pays a 4.6% dividend.

Another solid choice is **National Bank of Canada** ([TSX:NA](#)). Although it doesn't get nearly as much attention as its largest rivals, National Bank has many of the same attributes. It also trades at a cheaper valuation than its peers and pays a 4.4% dividend. And, like Telus, it has a demonstrated history of growing its payout.

The bottom line

Retirement doesn't have to be a scary financial time. It's very possible to retire with an ample amount of capital. All it takes is making smart decisions today, like saving aggressively and buying some of Canada's best stocks.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:NA (National Bank of Canada)
3. TSX:T (TELUS)

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/07/07

Date Created

2016/11/22

Author

nelsonpsmith

default watermark

default watermark