Follow These 3 Steps and You Can Retire by 50

Description

According to a 2016 poll commissioned by recruitment agency Hays Canada, approximately half of Canadian employees are unhappy with their jobs.

A total of 47% of Canadians revealed they weren't happy with their current position. The most common reason why people become unhappy is a lack of fit between them and their work environment. It's tough for an introvert to go and work in an office full of talkers, for example.

The easy solution is to just switch employers until you find one that matches your personality. But fit isn't the only important thing. Many companies don't offer a chance for advancement or the option to do interesting or meaningful work. And as many long-term employees can attest, veteran employees often only get token raises while new hires can negotiate something much more attractive.

For these reasons — and many others — thousands of Canadian workers yearn for an early retirement. They want to be able to enjoy their family, play a few rounds of golf, and travel extensively before having to worry about their health.

Some are able to hang up the proverbial skates at 35, while others have to wait until they're 40, 45, or 50. Here's how you can join them, even if you've gotten a bit of a late start.

Slash everything

Retiring early is a simple equation. You must save as much as possible.

If you're serious about leaving the workforce as quickly as you can, then it's time to cut everything. Have two cars? Cut it down to a maximum of one, and make sure it's a cheap ride. Embrace walking or riding your bike. Minimize your housing expenses by doing things like living with roommates or living in something much smaller than you inhabit today.

Don't just stop with the big costs either. Things like take-out coffee, new clothes, or a monthly haircut can add up over time.

Nobody is saying you have to give up everything that makes you happy. Just remember that the more you spend today, the less that's available for the future.

Make more

One thing separating millennials from baby boomers is the former's lack of employer loyalty. Younger workers are usually pretty happy to switch employers for a $10,000-a-year raise.

Prospective early retirees could benefit from that attitude. If you invested $10,000 annually at an 8% return over a 25-year working life, it'll turn into $858,028 before factoring in any expenses. That might not be enough for an early retirement, but it's a nice start.

Getting a raise at work might not even be the most effective way to make more money. The world is filled with freelance opportunities, some of which pay surprisingly well. Many prospective early retirees are more than happy to work extra, knowing the reward is worth it.

Invest wisely

Many retirees strive to live on their dividends while not touching their capital. If you invested $1 million in a collection of dividend-growth stocks, it could easily return $40,000 per year in dividends, plus growth in both share prices and dividends.

There are dozens of stocks that can be counted on to deliver sustainable dividend growth in Canada. **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) hasn't missed a dividend since 1868. It also trades at the cheapest price-to-earnings ratio of Canada's five largest banks and pays a 4.4% yield. The dividend has increased by 41% in the last five years.

Another great dividend stock is **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), which is Canada's wireless leader. Rogers also did $3.4 billion in cable and internet subscription revenue in 2016, $2.1 billion in media sales, and $384 million in business solutions revenue. It's truly a behemoth.

Rogers currently pays a 3.4% dividend and has raised its payout by 20% over the last five years.

The bottom line

If you manage to save $20,000 per year, keep it up from age 25 to 50, and invest that capital for an 8% return, it's possible to get a $1.7 million nest egg by your 50th birthday. If you save even more, the amount of time it takes to retire goes down even further.

That $1.7 million would spin out $68,000 per year, which is easily enough for a middle-class retirement when combined with a paid-off house. It won't be an easy journey, but the reward will make it worthwhile.

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