3 Simple Steps to Grow Your Retirement Income Fast

Description

Investing in stocks to save for your retirement has become very important in an environment when returns on other saving products is close to zilch.

Even after two consecutive interest rate increases by the Bank of Canada, the return on the benchmark 10-year Canadian bond is 1.9%. And you will be lucky to get a GIC rate of more than 3%.

In this low-rate environment, investors are forced to look towards more riskier options, such as equities, to make a meaningful return for the nest egg they're building.

But investing in equities require a little more planning and long-term view. Here are the three simple steps every investor can take to grow retirement income fast.

Start your saving journey early

One of the biggest factors that will determine how much you'll have in your retirement income is how early you start your saving journey. The equation here is simple: the earlier you start, the more you'll save, and the better return you'll make on your investments.

Canadians generally take their retirement seriously. According to recent census data, almost two-thirds of Canadian households are saving for retirement. Of 14 million households, 65.2% made a contribution to either a registered pension plan, an RRSP, or a Tax-Free Savings Account (TFSA) in 2015, Statistics Canada said in September.

What percentage of your income should go into your savings account? Many advisors believe it shouldn't be less than 10% of your salary, but I think you should save more when you're young and in the prime years of your earning ability.

Invest in dividend-growth stocks

In your diversified income-producing portfolio, it's very important to include stocks that pay regular dividends and grow them over time. Dividend-growth stocks slowly build your nest egg and protect your investments from the impact of inflation.

Stocks that consistently hike their dividends returned an average of 10.1% annually between 1974 and 2014, according to a 2015 study by Manulife Asset Management. These returns were much better when compared to non-dividend payers, which produced 2.6% returns each year for their investors, according to the same study.

In Canada, you have a plenty of choices in different sectors of the economy to pick dividend-growth stocks. Some of my favourite are power and gas utilities, such as **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Enbridge Inc.**(TSX:ENB)(NYSE:ENB). Enbridge, for example, plans to grow its payout 10% each year through 2020.

Similarly, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is a great dividend-growth stock. The lender has hiked its payouts in 43 of the last 45 years. The history tells us that you can count on Bank of Nova Scotia for a regular income stream.

Remain invested

Finally, it's equally important that you remain invested once you have picked your stocks and other income-producing assets. There is no doubt you'll see several market downturns and confidence-shattering events that nobody predicted.

But smart investors stick with their investment plans and see their investments outperform, as they re-invest their income back into the portfolio and reap the benefits of compounding.

In short, increasing your retirement income fast requires a simple approach. Start your saving journey early and focus on income-generating stocks with a long-term investment horizon.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
6. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/07/21
Date Created
2017/12/19
Author
hanwar