The Top 2 Things You Can Do to Retire Early

Description

“In 1980, the ratio of household debt to personal disposable income was 66%.” This is quoted from an archived article on the Statistics Canada website.

Since 1980, this ratio has ballooned to 170%! “In other words, the average Canadian owes about $1.70 for every dollar of income he or she earns per year, after taxes.” This came from an article published on May 1 on the Bank of Canada website.

With mounting debt levels, retiring early may seem to be a faraway dream. But it doesn’t have to be that way.

Here are the top two things you can do to retire early.

Spend less than you make

Other than your mortgage(s), it makes sense to have as little debt as possible, because the more debt you have outstanding, the more interest you have to pay.

Some people overspend because they use their credit cards or lines of credit. When you don’t pay in cold, hard cash, it makes it way easier to spend money. It’s fine to take advantage of reward points or cash backs from credit cards, but remember to pay off your balance every month to avoid having to pay huge interest on the borrowed money.

Most importantly, no matter how you spend your money, always spend less than you make. That’s the only way you can save for your retirement.

According to Trading Economics, the personal savings rate in Canada averaged 7.36% from 1981 to 2018. In between, the savings rate reached as high as 19.9%. In the last three years, the highest savings rate in a quarter was 5.8%. So, if you’re saving +5.8% of your disposable income, you’re ahead of the pack.

However, if you want to retire early, you’d better boost that savings rate. The more you save now, the less you have to save in the future, and the earlier you can retire.

What do you do with the savings? You can invest the money intelligently to get it working hard for you. Again, this leads to earlier retirement.

Invest intelligently

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are two quality businesses to get a portfolio started that can help you retire early.

Some people are unwilling to take risks, as they're afraid to lose money in the stock market. However, time is on your side when you're investing for retirement, which can be 10, 20, 30 years, etc. down the road.

Buying periodically and especially on dips in stable businesses, such as Brookfield Infrastructure Partners and TD Bank, which become more and more profitable over time, will help in building your nest egg for retirement.

Moreover, the increasing dividends they offer will be an additional source of income for your savings that can be invested. There are other ways to invest intelligently, but dividend-growth stocks, including Brookfield Infrastructure Partners and TD Bank, are a good place to start.

Investor takeaway

The sooner you invest intelligently, the earlier your investments can start working for you, and the less money you have to retrieve from your pocket to have an early retirement.

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