Want to Retire Early? Then You've Gotta Read This

Description

The FIRE movement is taking North America by storm.

Advocates of FIRE — which stands for Financial Independence/Retire Early — look at life a little differently than the rest of the world. Instead of resigning themselves to working until they hit 65, these folks look to check out of the rat race at a much earlier age. Some even manage to retire in their 30s.

Retiring early is something that seems difficult, but it doesn't have to be. It's all about making sacrifices, maximizing your income, and investing well. Here's how you can make it happen.

Increase your top line

If you've read many of the early retirement profiles out there, you've probably noticed a common theme. Early retirees had good jobs that paid them six figures a year.

Increasing your wage is the most important thing you can do to retire early. Expenses matter too, of course, but you can only cut your monthly expenditures so far. There's no limit to your earning power.

Focusing on your top line may mean you'll have to make some uncomfortable decisions, like doing a little job hopping. As we all know, some employers are very reluctant to give good performers big raises because they fear backlash from everyone else.

Many early retirees also spent their leisure time on various side jobs. Often, these gigs pay quite well on a per-hour basis.

Spend intelligently

Increasing your total income is the first part of the equation. Next up is controlling expenses.

This is where many people fail. They work hard for their money and want to exchange it for nice things. A few luxuries balloon into spending every nickel you bring in. This is not ideal.

Instead, I'd recommend you prioritize your spending. Think about what's really important to you and spend there. Say you like to drink beer with your friends. Instead of cutting back on that, embrace it. Go out as often as you want. Then take steps to minimize expenditures in categories that don't matter to you.

Invest well

Many early retirees live on their dividends. They put their cash to work in some of Canada's best income-paying stocks and hold them for a very long time.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one such stock. After building a presence from coast to coast in Canada, management turned their attention stateside. The company made a series of acquisitions in the United States, growing its operations there into 1,300 branches and locations all down the east coast. TD is now North America's fifth-largest bank by assets.

TD has rewarded investors the whole time with ever-increasing dividends. After taking a couple of years to right its balance sheet after the Great Recession, TD has hiked its dividend each year since 2010. The quarterly payout has more than doubled since then, increasing from $0.305 to $0.67 per share. These days, TD shares yield just a hair under 4%.

SmartCentres Real Estate Investment Trust (TSX:SRU.UN) is the owner of 154 different retail properties. 115 of these developments are anchored by a **Walmart** store. SmartCentres has long been Walmart's landlord of choice in Canada. Other retailers are attracted to the rest of the space in large part because of Walmart's foot traffic.

The company isn't just focusing on retail space, either. It has identified opportunities to build some 20 million square feet worth of mixed-use real estate, including condos, storage units, and seniors' living facilities.

SmartCenters currently pays investors a 5.8% yield, which is a great payout in today's world. It has also increased the distribution each year since 2013.

The bottom line

It's a difficult thing to accomplish, but I firmly believe many Canadians who put their minds to it can retire much earlier than the accepted age. All you need to do is earn as much as you can, minimize your spending, and invest in great stocks like TD Bank or SmartCentres REIT.

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