How to Get to $750K in Your RRSP or TFSA

Description

If you're a Canadian approaching retirement age, chances are you know the significance of $750,000. It has been cited many times as the amount of money a Canadian needs to retire comfortably, assuming they're relying on just savings and CPP payments. Although the amount varies depending on standard-of-living expectations, *Global News* has cited a range of $625,000-$750,000 as a reasonable goal for Canadians. The upper end of that range is the amount needed to get to $22,500 a year in income at a 3% yield, which, when added to benefits like CPP payments and Old Age Security, will get a retiree to around $40,000 in total income.

Of course, this figure is based on the value of today's dollar, and it will likely be much higher when today's young people retire. But nevertheless, it's a worthy target to aim for in the medium term — or for older Canadians who are already part of the way there. If you're striving to find a path to $750,000, here are three strategies to get you on your way.

Use your maximum contribution each year

RRSPs and TFSAs have maximum contribution limits; whichever one you're using, you should strive to save the maximum and put it in the appropriate account. For RRSPs the limit is 18% of earned income up to a maximum of $26,230. For TFSAs the amount does not vary by income and changes from year to year. For 2018, the TFSA limit was $5,500. You should strive to put as much of your income as possible into your retirement account of choice, both to hit your savings goal and to get the tax benefits.

Invest in dividend stocks with long-term growth and dividend increases

If you're investing for retirement, it's best to avoid highly speculative investments. Remember, this is money you'll *need* at some point, so it's best not to risk it all for a chance at riches.

Low-risk/moderate-risk investments are most appropriate for retirement accounts. One example of such a stock would be **Fortis** (TSX:FTS)(NYSE:FTS). Fortis is a utility with a long-term track record of growing earnings. As a utility, it enjoys near-monopolistic status in its service areas and the ability to raise rates every year (limited only by government regulation). With a dividend yield around 4% and a 45-year track record of dividend increases, it's a perfect example of a great retirement stock.

Reinvest

If you're saving to your contribution limit and investing in dividend stocks with growing payouts, you're already halfway to hitting your retirement goals. But there's still one way to jack your income higher: dividend reinvestment. By reinvesting dividends into the stocks that generated them, you increase the size of your stake without having to add money to your account. This gradually increases both your final return and your dividend income. Once you retire, you can stop reinvesting and then live off the income — which, at that point, will be much higher than it would have been if you hadn't reinvested.

By saving to your max contribution limit, buying quality dividend stocks, and reinvesting, you can easily hit your retirement goals, even if your income is fairly low. But as always, it's crucial to do your own research to find the right approach for you.

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