Millennials: Here's How You Can Retire With $1 Million

Description

The deadline for 2018 RRSP contributions was March 1, 2019, but it is never too early to start thinking about investing for retirement. This week, I discussed why it is more important than ever to get everything you can out of your RRSP. The steady decline in pension plan offerings, particularly in the private sector, is something younger investors need to keep in mind.

Fortunately, many millennials seem to be on top of these trends. According to an annual **Bank of Montreal** (TSX:BMO)(NYSE:BMO) study, millennial contributions to their RRSPs has climbed 87% since 2016. Millennials have accounted for the highest percentage increase over baby boomers, who only saw a 30% spike in the same period. Of course, many baby boomers are beginning to enter retirement.

On the flip side, a Templeton Investments Canada report revealed that nearly 50% of millennials had not saved anything for retirement. For many respondents, low income was an obstacle to adequately saving for retirement. Others were confused over annual contribution room and did not know the basics of how an RRSP works.

Millennials may be asking themselves how much they will need to retire. A common recommendation is between 40% to 70% of your annual income before you left the workforce. To be on the safe side, investors should aim for the higher end of that range. A 2016 **Sun Life Financial** study of both workers and retirees found that on average Canadians are living on 62% of what they earned before leaving the workforce.

For Canadians with a median household income of over $70,000, which was pinpointed by Statistics Canada in 2015, the $1 million target is often referenced as the magic number. Millennials have the advantage of starting early and often. Even if you have nothing in your savings account today, there is still plenty of time to reach that coveted retirement savings goal. The best way is to get organized; start a systematic-savings plan that will stash away your income into a TFSA or RRSP.

As for stocks, beginners should focus on blue chips that offer solid capital growth and steady income. BMO is a nice target to focus on today. Shares of BMO have climbed 31.7% over a three-year period as of late afternoon trading on March 20. This represents an annualized return of over 10%. Over the long term, this is a lofty target, which is why investors should look to feast on regular dividends.

BMO announced a second-quarter dividend of $1.00 per share in its most recent earnings release. This represents a 3.9% yield. The bank has achieved dividend growth for seven consecutive years. Investors saving for retirement should target stocks that have accomplished a long history of dividend growth. Canada's top banks are not heavy hitters in this regard, but the mix of capital growth and solid dividend payments make them an attractive target for those just starting out.

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aocallaghan