How to Meet Your 2020 Savings Goals

Description

Research out of **Toronto-Dominion Bank** reveals that most Canadians are falling short of their savings goals. In many cases, savers are hundreds of thousands of dollars short of what they'll need to retire. Millions of Canadians don't even have an adequate emergency fund to cover a few months of everyday expenses.

Whether or not you've met your savings goals in the past, the upcoming year is a great time to improve your processes and reinforce good habits. If you think it's too early to start planning for 2020, think again. The best time to prepare is always *before* you need to take action.

If you want to meet your savings goals next year, follow these three simple steps.

Simple questions

It's funny how many people jump straight into which stocks they should be buying instead of focusing on how much they should be saving. At the end of the day, the most important thing is to pinpoint how much you want to stash away next year, and then work from there.

How much should you be saving? One of the most popular methods is the 50/30/20 rule. Using this method, 50% of your income goes towards necessities like food, housing, and transportation. The next 30% is for discretionary items like entertainment, travel, holidays, and eating out. The final 20% is strictly for saving — some of which can go into an emergency fund, with the remainder rolled into medium-term and long-term vehicles that help save for big expenses like buying a house or retirement.

Only when you know *how much* you should be saving each year (and thus, how much you should be saving each month) should you move forward. Otherwise, you have no benchmark to compare your actual savings habits against.

Make it automatic

Using the 50/30/20 rule, if you make $50,000 per year, you should be saving roughly $10,000 annually. Here's the biggest trick of all: make all of your saving automatic. Let's say you want half of your annual savings ($5,000) to go into an emergency fund, with the remainder ($5,000) going into a brokerage account to stash away for retirement. Only a monthly basis, that works out to be roughly $415 into your savings account and $415 into your brokerage account.

Instead of manually executing these transactions each month, find out how you can have these sums *automatically* withdrawn from your bank each month. This takes advantage of the opt-in, opt-out psychological bias. That is, you're less likely to opt-out of something than to proactively opt-in. If your savings are automatic, it takes effort to change the monthly withdrawal. Therefore, you're actually more likely to let the withdrawal occur. If you rely on yourself each month to do the transaction, you're much less likely to go through with it.

Choose resiliency

Investing can be challenging. In bull markets, most people forget this. But when equity prices fall by 50% or more, it gets difficult to keep investing more and more money each month. By choosing stocks that are resilient during bear markets, you can feel confident in maintaining your automatic investment schedule no matter what happens to the economy.

Consider these three stocks: **Hydro One, Brookfield Infrastructure Partners**, and **Fairfax Financial Holdings**. All of them operate business models that should be relevant for the next 50 years or more. These stocks have proven resiliency against market downturns. In fact, some have historically *gained* in value during bear markets.

Meeting your 2020 savings goals will be much easier when you know you can sleep easy each and every night. The stocks above give you that benefit.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:H (Hydro One Limited)

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