Don’t Retire If You Can’t Answer 3 Simple Questions

Description

Work becomes optional when you achieve financial independence. Usually, people reach that state at retirement age. By that time, you’re ready to leave behind your active working life. You have a pension plan from where you can draw the money for your everyday sustenance.

But are you prepared to retire?

There are essential questions you need to answer before you call it quits. Your answers to these questions will gauge your readiness to enter retirement.

Measure of retirement readiness

The first question is, where will you live? The cost of living where you choose to live will have a significant impact on your retirement. Your home should also have a low maintenance cost. Aside from that, it should be accessible to places or establishments an older person would typically visit. Also, make sure your residence will not pose mobility problems.

Second, do you know at what point you should take out your CPP? Consider delaying your CPP payment until age 70. Don’t rush to collect your pension at 65. Your monthly CPP pension will be significantly higher five years past the pensionable age.

Lastly – and most important — do you have enough savings and investment income to augment your pension? Will the combined total cover your retirement expenses? You need investment income to supplement your regular pension.

Contingent pension

Would-be retirees invest in Canadian bank stocks such as **Royal Bank of Canada** (TSX:RY)(NYSE:RY) or RBC and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) or Scotiabank. Besides being safe investments, the companies both have high-quality dividend stocks for retiring couples or individuals.

Any of the two could serve as your secondary pension provider.

RBC is a logical choice because it is the largest Canadian bank in terms of market capitalization. This bank is also present in 50 countries around the world. This year, RY might break its own record revenue of $41.3 billion in 2018 despite a challenging market.

Since 2008, RBC has grown its earnings-per-share at 9% clip, although the forecast is an 8% growth in the coming years. The bank's revenue mix is unique and non-traditional. Half of its income is fee-based rather than net interest income generated. Other banks focus more on lending.

The U.S. market will be the bank's primary growth driver as it speeds up expansion. Expect RBC to continue growing organically in America and the domestic market.

Scotiabank is the primary choice of retirement planners. The bank has the same robust 8% annual earnings growth forecast as RBC in the coming years. The strength of the third-largest bank in Canada is loan volume generation, both in the home market and outside.

Expanding operating margins through lower expenses fuel the bank's growth. Its exposure in Chile, Columbia, and Mexico will provide volume and margin growth on top of the existing international business.

Overall, Scotiabank offers a unique combination of high dividend yield, healthy growth, and a rational valuation. These advantages set the bank apart from industry peers.

Portfolio mainstays

RBC and Scotiabank are the leading bank stocks because of its proven track records in overcoming the severest economic crises and recession. You won't regret having these stocks as your secondary pension providers.

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