The #1 Way You Can Retire by 50

Description

Are you hoping that after celebrating your 50th birthday, you won't be spending hours at work anymore? Instead, you want to look for things to do. Well, if there's a will, there's a way.

Retiring by 50 is a reasonable goal of many Canadians. The government is encouraging the working population to save and invest for the future. People should be taking advantage of the TFSA and RRSP while making contributions to the CPP.

You should remember, however, that 50 is an early retirement age. Growing a retirement fund would take years. You need to have a leeway of at least 20 to 30 years. And the number one way to that goal is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

Start investing early

If you are serious about retiring early, you can make it happen by investing early. You can't accomplish your goal if you're five or 10 years away from turning 50. Retiring at 50 means you need to save as much as you can to have the capital for investing.

Invest in a dividend stock

The road to retirement isn't going to be easy. Remember that saving precedes investing. It entails a lot of financial discipline to save money. Anyway, once you have enough to invest, pick a dividend stock.

CIBC as your initial foray into the stock market is an excellent choice. This $46.05 billion bank is the highest dividend payer among the top five Canadian banks. The high 5.68% yield will allow you to reinvest dividends and experience the compounding power of the stock.

Investing in the stock market is indeed speculative. However, CIBC is a low-risk, high-return investment. The bank has been operating since 1961. Its four strategic business units — Canadian Personal and Business Banking, Canadian Commercial Banking and Wealth Management, U.S.

Commercial Banking and Wealth Management, and Capital Markets — are consistent income contributors.

But the strongest among them is the personal and business banking unit, which accounts for 50% of CIBC’s total revenue. The bank has more than 1,000 branches that cater to 10 million clients around the world.

Needless to say, you don’t run the risk of losing even a portion of your hard-earned savings. To give you a concrete example, had you invested $10,000 in CIBC 20 years ago, your money would be worth $77,433.69 today. That is the magical effect of compounding. In other words, your average annual total return is 10.77%.

Aim for a debt-free lifestyle

An essential part of an early retirement plan is to aim for a debt-free lifestyle. How can you afford to retire at 50 when you keep piling up debts? You’ll lose the propensity to save when you have plenty of payables. You might even have to use the dividends from CIBC to pay them off.

Smart investing

You need to play it smart if you plan to drop out of mainstream employment ahead of the others. Investing in CIBC would help you get there. However, you have to maximize either the TFSA or RRSP to enjoy the tax benefits and boost your portfolio. It’s a tall order, but the sacrifices are all worth it the minute you turn 51.

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