



## Build a \$1,000,000 RRSP Starting in Your 40s

### Description

Are you worried that you have started thinking about building a comfortable retirement lifestyle a little too late in your life? Sometimes, you can get so busy getting through every day or dealing with all of life's challenges that you might not have had the time to think about a Registered Retirement Savings Plan (RRSP). You are in your 40s now, and it seems like a lost cause.

You do not need to let that worry you even a little bit. Other people have also sat down and thought about their retirement late in their 30s or even in their 40s. While it may seem like a lost cause, you still can build a \$1,000,000 RRSP even if you start in your 40s.

Enjoying a comfortable retirement lifestyle is still possible. It's just about how you approach your RRSP. Let us assume that you are in your 40s and a 40% tax bracket.

At this age, contributing \$6,000 a year, increasing the amount to adjust for inflation and reinvesting your RRSP tax refunds can result in a rough estimate of \$500,000 by the time you retire.

Let's take a look at how much you need to save in your 40s to reach the ideal \$1,000,000 milestone for your portfolio. We'll also examine a [lucrative stock](#) you might want to consider investing in to help you make the most of it.

### RRSP starting in your 40s

At 40 years old, you have 25 years left until you retire. Let's also assume a 40% tax bracket, a 4% return, and increase of savings with inflation by 2%, with all your RRSP contributions reinvested. You will need to save at least \$1,000 every month.

At \$1,000 per month, your savings for 2019 should stand at \$12,000. Investing that into your RRSP, getting the tax refund and reinvesting it can see your balance go up to \$50,000 in 2 years.

You keep on adding the \$12,000 along with the 2% increase to adjust for inflation, and your total balance can increase to around \$276,000 to \$280,000 by the time you hit 50.

If you keep on adding the 2% to your savings annually till you hit the age of 65, you can end up with an estimated \$1,000,000, plus a change in your RRSP.

I need you to understand that this is based on assumptions in the scenario I've created keeping the average Canadian who has lived all his/her life in the country. Each individual's situation can be different, but investing smartly in your 40s can help you build that comfortable retirement lifestyle everybody wants.

## A stock that has doubled since last year

Now that you have an estimated timeline and you understand that it is possible to build a \$1,000,000 portfolio, I will tell you about a stock that can potentially help you get there. Enter **Air Canada** ([TSX:AC](#)), the largest airline in Canada.

An airline that has been servicing transcontinental routes from as early as 1938, Air Canada is grabbing a lot of attention at the TSX. The company continues to grow assets and revenue to present a more promising future for an already successful company.

Air Canada's performance last year was terrific. The share price for Air Canada's stocks rose from the \$27.53 on September 27, 2018, to \$43.13 at the time of writing – a 63.4% increase in the past year.

Air Canada has plans to deleverage further the debt Canada's largest airline is in, eventually increasing the share price of the stock.

## Foolish takeaway

I feel that Air Canada might see some [turbulent skies](#) due to the company's takeover of **Transat** becoming problematic. The situation could result in a drop in Air Canada stocks, and if that happens, you might be able to get a good deal on the share price.

Officials will review the acquisition, which is expected to pull through eventually and that could spell great news.

If the deal pulls through, the combined companies will account for 60% of the air travel business in Canada. The long-term future of the company is likely very bright. Air Canada, in my opinion, carries great potential for your RRSP portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:AC (Air Canada)

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1. Investing

### **Date**

2025/09/16

### **Date Created**

2019/09/30

### **Author**

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