1 Major Retirement Mistake to Avoid in the Next Decade

### Description

This week, I touched on a report from BDO Canada that revealed alarming information on the financial health of the Canadians it surveyed. The lack of retirement readiness is not just a Canadian problem, but one that is rearing its head across the developed world. Because of this, we can identify major mistakes that investors are making all across North America and Europe.



Today, I want to focus on one major mistake that can be made in preparing for retirement. This one is particularly dangerous, as it can inspire procrastination and complacency.

## Assuming you can work forever

An early 2019 poll conducted by Ipsos for **Royal Bank** showed that 45% of Canadians are “somewhat confident” about their ability to save enough for retirement. Only 16% of respondents were “very confident.” Most startling, 39% of respondents said that they do not believe they will ever have enough retirement funds to stop working.

The changing nature of work has had an impact on this perception. In the summer of 2018, I’d discussed the rise of the so-called gig economy and the decline of defined-benefit pension plans in the private sector. The traditional long-term nine-to-five job is being phased out in favour of more malleable forms of work for growing sections of the population. There are benefits to this change, but it also means that Canadians will have more responsibility to plan their own retirement.

This example hits close to home. I am also guilty of this mistake. Being in business for myself has afforded me freedoms and a desirable work-life balance. My prior knowledge of investing and retirement planning has eased my transition, but it is still one of the most challenging aspects of my life. Sometimes the thought of working forever can be a great consolation in allaying anxieties about my retirement.

Working longer can help to make up for lost time, but it is not a viable alternative to making and following a retirement plan. A shifting work environment and other obstacles, like mental and physical fatigue, mean this is a strategy you cannot count on. There are far better ways that will allow you to bet on yourself and increase your chances of a healthy and happy retirement.

## Start now

Every little bit helps when it comes to saving for retirement. What kind of stocks should a beginner target? Take Royal Bank, as an example. Canada’s largest financial institution is a profit machine, and one of the most systemically important banks in the world.

Shares of Royal Bank have climbed 15.8% in 2019 as of close on October 3. The stock has achieved average annual returns of 9.5% over the last 10 years. Banks are attractive to newcomers because of their blend of capital growth and income. Royal Bank is no different. The bank last bumped up its quarterly dividend to $1.02 per share, representing a 4% yield. Royal Bank has achieved dividend growth for eight consecutive years.

Saving early and investing in balanced stocks like Royal Bank is a far more fruitful strategy than gambling on your ability to work until you drop.

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