



## Worried About Retirement? Adopt These 3 Proven Habits Today!

### Description

If you're worried about retirement, you're not alone. Saving for retirement is hard. Note that first word: saving. Many investors believe that picking the right stocks is the key to a comfortable retirement. If only it were that easy! In reality, it's simply stashing away enough money to begin with that's difficult.

Not saving enough has proven to be the [number one](#) retirement mistake Canadians are making today. Both young investors and old need to ramp their savings considerably to meet their retirement goals. Yet time and time again, people fail to sock away enough money for the future.

If you're like most people, and are worried about not having enough money later in life, the following tips are tailor-made for you. They're simple, repeatable, and effective. I can personally attest that they work. I share these tricks with every investor I meet that's angling for a comfortable retirement.

### Do the future math

Doing math isn't much fun, but it's a lot easier when you do *future* math. What is future math? It's not figuring out what you have today, but what you'll have years down the road. It instantly turns a few hundred dollars into thousands of dollars. Here's how it works.

Let's say you have \$5,000 saved. That's certainly not enough to retire with, but what will that \$5,000 be worth in the future? If you're 30 years old and want to retire at age 60, that money will have three decades to compound in value. Assuming the long-term average stock market return of 8% per year, that means your measly \$5,000 is actually worth \$50,313....in the future.

There are a ton of future value calculator tools on the internet that can help you with this math. It's surprisingly simple and effective. After all, knowing that your \$5,000 nest egg is really worth more than \$50,000 (at the time of your retirement) can give you the momentum you need to invest even more.

Adding just \$500 this month, for example, could mean adding \$5,000 (in future money) to your retirement fund. Realizing how much even a small investment can be worth makes saving much more enjoyable.

## Automate your savings

If you want to meet your savings goals, automate your savings. There's a ton of science behind this. Don't rely on yourself to manually deposit cash into your investment accounts. Instead, have your investment accounts *automatically* withdraw a set sum each month.

It takes just minutes to set up these automatic transactions, and most brokerage accounts allow for it. After they're set up, all you have to do is wait!

When you trust yourself to make these deposits manually, the odds of you doing so drop dramatically. This is what behavioural economists deem opt-in, opt-out behavior. Trusting yourself to opt-in every month is a losing strategy.

But forcing yourself to opt-out each month — that is, cancel your automatic transaction — creates additional barrier to hurdle, making it all the more likely that you'll continue to stash more money away.

## Keep it simple

If you're automating your investments and using future math to encourage even more investments, your final step is to optimize your investment portfolio. When it comes to retirement investing, the best path is typically to keep it simple.

Broad-based market ETFs like **iShares S&P TSX 60 Index ETF** ([TSX:XIU](#)) or diversified holding companies like **Fairfax Financial Holdings Ltd** ([TSX:FFH](#)) or **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) are good enough for the vast majority of portfolios.

Remember that the hardest part of investing is saving money in the first place. Spend most of your efforts there. Only then should you move onto finding stocks that can build you wealth for later in life.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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