



Retirees: How to Not Outlive Your Retirement Savings

Description

When you're nearing or entering retirement, there are time-tested strategies you can apply, so you don't outlive retirement savings. Regardless of the [amount in your nest egg](#), you need to be smart in spending the money. Your spending should be just right without being super stingy.

Basic rule

Retirement planners will sometimes recommend the 4% rule, depending on your situation. The strategy suggests withdrawing 4% of your retirement savings for the first year. You then adjust every year after that while factoring in inflation in the succeeding years.

Assuming you have \$1 million in your nest egg, your first withdrawal is \$40,000. If Canada's inflation rate is 2%, you have to withdraw \$40,800 (\$800 is 2% of \$40,000) in the following year, and so on. Your adjustment depends on the prevailing inflation rate.

High-quality investment

The key to growing your retirement savings is to start investing in income-producing assets like stocks. It would be advantageous if you began your investing activities very early, or at least when there is a 20-year investment time frame.

High-quality, solid dividend-paying stocks are the money growers whether you place the stocks in your TFSA or RRSP. The dream stock of most retirees is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). This energy infrastructure giant alone can provide you a steady income stream outside your pension plan.

Enbridge pays a lucrative dividend of 6%, and for the last 24 years it's increased the payouts. For the past two decades, the company boosted its payouts by an 11.2% CAGR. Your investment and the dividends are safe because you're standing on a rock-solid foundation.

As much as possible, the company wants to maintain a payout ratio of 65%, so it can use the

remaining cash to fund growth opportunities or projects. The growth projects of Enbridge are [the keys to increasing dividends](#). Also, there are plans to sell non-core assets in the next few years. The assets could fetch \$10 billion.

Through 2020, the \$31 billion worth of expansion projects will drive Enbridge's 10% annual growth in cash flow per share. According to one market study, Canada, together with the U.S., would have to earmark \$550 million for investments in new energy infrastructure until 2035.

Smart spending

With the assurance of retirement income to augment your pension, you have the flexibility to set your withdrawal limits. This strategy will make sure your spending is within bounds. It means you're not disbursing too much or too little cash.

Your goal shouldn't be to die wealthy but to live comfortably during the entire length of your retirement years. All you need is money for the necessary expenses plus extra to spend on things you want to do.

Comfortable last mile

The most important thing to remember during retirement is to avoid unnecessary spending. Spending quality time goes hand in hand with quality spending. After the first year of withdrawal, you'd be able to assess the withdrawals you'll need to make in the coming years.

Staying invested in high-quality stocks like Enbridge is the best part. You have a predictable income you can enjoy in the last mile of your life.

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