Young Couples: Do You Want to Retire by 40?

Description

Let's face it. Working for the man stinks.

The average day in an office is filled with inconveniences. First, you've got a soul-crushing commute to just get there. Then your time is filled with pointless meetings, ridiculous TPS reports, and other nonsense just created to make sure wage slaves are kept busy for 40 hours a week. Since most people do a pretty good job, your boss invents ridiculous things to be mad about during performance reviews. And, on top of all of that, you're forced to play office politics.

It's little wonder why many millennials want nothing to do with a typical 40-year working career.

In fact, many of these folks are embracing the FIRE movement, which stands for financial independence, retire early. They've realized that you can take a much different path to ensure an early retirement, leaving plenty of time left to pursue your own interests.

Doesn't that sound a whole lot better than working for the man for 40 years?

Here's how you can achieve FIRE by your 40th birthday.

Create a huge savings rate

You'll likely need a nest egg of at least $1 million to retire by your 40th birthday. This will take some short-term sacrifice.

The first step towards creating a huge savings rate is to cut as much spending as possible. I'm not talking about minor stuff like ditching takeout coffee — although that will help. Focus on your big three expenses, which are housing, transportation, and food. Minimize these, and you'll take a big step towards creating a huge savings rate.

You can cut housing costs by moving to a smaller place or sharing your space with a roommate or two. Transport costs are slashed by moving close enough to work to walk or taking mass transit. And reducing food expenses is as easy as eating exclusively at home and watching your local grocery store for great sales.

Many FIRE aficionados strive for a 50% savings rate. Getting your big expenses down is a great start towards that goal.

Earn more

The next step is to maximize your earnings. There are several paths you can take to increase your top line.

Some people relentlessly pursue promotions at work. Others will jump to a competitor, pocketing a big raise for their troubles. Other options, like pursuing the higher education needed for a new role or starting a side hustle, are also great tactics. Employees who are paid hourly might just pursue overtime opportunities.

The beauty of this step is it allows you to be creative. There are thousands of ways you can increase your income.

Invest in dividend growth

Dividend-growth investing is the perfect choice for a prospective early retiree. A portfolio stuffed with dividend growers will create the cash flow you need to fund your ideal retirement lifestyle.

Take **CIBC** (TSX:CM)(NYSE:CM), the smallest of Canada's five largest banks, as an example of a great dividend stock. Don't let the company's relative size fool you; CIBC is still a monster financial institution. I particularly like a few things about CIBC's Canadian operations, including its credit card division, its wealth management operations, and its recent expansion into the online-only part of the market with its Simplii subsidiary.

After years of being criticized for not expanding into the United States, CIBC has begun to do just that. It has made several acquisitions to bolster its wealth management operations in the U.S., and recently completed its purchase of PrivateBancorp, its first big foray into U.S. banking. It will use PrivateBancorp as a platform to acquire more assets in the United States.

CIBC has delivered an excellent history of dividend growth, including raising the dividend each year from 2011 to today. The company also hasn't missed a dividend since it started paying them back in 1868. Shares currently yield a robust 5.2%. Investors don't have to worry about the security of the payout, either. CIBC targets a dividend-payout ratio of approximately 50% of earnings.

The bottom line

It will require a great deal of work to retire by the time you're 40, but it's very possible. All you need to do is create a huge savings rate and then pour as much money as possible into great dividend growers like CIBC.

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