Saving for Retirement? Then Quit Making These 2 Massive Mistakes

Description

There should be no room for error when you're looking ahead to retirement, or the leisure years. As you exit mainstream employment, you are expected to have enough cash in your retirement savings.

Unfortunately, many Canadians commit two huge mistakes before the retirement age. The goal is not to be filthy rich as you enter the golden years. But having a significant amount of savings will allow you to live a comfortable lifestyle.

Ultra-conservative behaviour

The 2008 financial crisis was frightening to people, and they have become wary of a potential market crash today. As a result, investment appetite is skewed towards low-interest bearing savings accounts, bonds, and other ultra-conservative financial instruments. If you're taking this path, you're storing value rather than growing your retirement savings.

You don't need to be aggressive by investing in high-risk, high-reward investment options. All you need to do is focus on high-quality dividend stocks that can generate decent returns over the long term.

Take a stock like **Sun Life** (TSX:SLF)(NYSE:SLF). This Canadian firm is a well-known life insurer worldwide. Over the years, the company has provided the insurance needs of people. Today, Sun Life is a diversified insurance company. Aside from insurance, it provides wealth and asset management solutions.

Sun Life has a market capitalization of $35.3 billion and has been operating since 1871. It is a blue-chip company. Sun Life was able to endure the severest financial crises, including the Great Recession. You can be conservative and still collect higher dividends from Sun Life regardless of the market environment.

The stock pays a dividend of 3.55% compared with the 1.54% yield of the 10-year Canadian government bond. Assuming you invest $50,000 savings in Sun Life, your money would be worth $70,871.40 in 10 years. With the government bonds, the amount would be $58.256.13. For a retiree, the difference of $12,615.28 is material.

Not using investment accounts

Another huge mistake is not utilizing the benefits of the TFSA. This investment account was introduced primarily for the financial well-being of Canadians in later life.

You have the wrong notion if you think you can save up for retirement by merely setting aside cash monthly. By the time you take the retirement exit, you'll realize the insufficiency of funds. Millennials, in particular, have yet to grasp the advantages of investing over savings entirely.

Saving for retirement through the TFSA is easy. Because you fear an economic downturn, invest in **Manulife**. The stock is another high-quality investment and the chief rival of Sun Life in the insurance industry. This $48.6 billion company is equally established with 132 years of operations.

The key to growing your nest egg is to max out your TFSA annual contribution limit. Since you have a tax-free account, you won't pay taxes whenever you withdraw. Your $50,000 savings can earn $24,583.81 dividends from Manulife in 10 years. The entire amount is tax exempt when you take it out from your TFSA.

Smart investing

Smart investing complements retirement planning best. You're not taking a risk by investing in Sun Life or Manulife. But you're committing costly mistakes when you hoard cash and don't use the available investment accounts when you're gearing up for retirement.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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