



## Can You Comfortably Retire on \$400,000?

### Description

No matter how hard they try, many people just can't accumulate the kind of portfolio that makes retirement a breeze.

And that's okay. It's nothing to be ashamed of, provided you spent your excess cash wisely. Paying off your house, saving to give your kids a head start, or helping out other family members are all noble things to do.

Besides, one of the [dirty, little secrets](#) of the investment world is, many pundits radically overstate how much you'll need to retire. It's not their fault; these people have been brainwashed by decades of advertising by fund managers, companies that know a good way to gain assets under management is to make people scared they'll be poor come retirement.

So, if you're only sitting on a nest egg of \$400,000 or so, don't sweat it. You can have a comfortable retirement. Here are some strategies you can use to maximize your dollars.

### Remember pensions

One thing many soon-to-be retirees forget is, they're likely to receive anywhere from \$1,000 to \$2,000 per month in cash from the Canada Pension Plan and Old Age Security. Low-income seniors also qualify for the Guaranteed Income Supplement.

If both you and your spouse have worked consistently over the years, you're looking at double that amount. There are many couples that qualify for \$30,000 or \$40,000 of annual income from the government, which will go further than you think in retirement. Remember, you'll save a lot of money by avoiding a daily commute or having to buy a whole work wardrobe.

### Consider a part-time job

Making just \$1,000 per month can go a long way towards securing your retirement.

Say you and your spouse end up with \$30,000 annually in annual income from the government. Add in \$16,000 per year (assuming a 4% withdrawal rate on \$400,000 in savings), and you're making \$46,000 each year. An additional \$10,000 annually could be the difference between a lacklustre retirement and one filled with a couple of nice vacations.

Part-time work comes with other benefits, too. It gets you out of the house and staves off boredom. It gives one a sense of accomplishment, too. It'll even be a valuable form of socializing if you get the right situation.

## Invest wisely

If you put your \$400,000 nest egg to work and earn a 5% dividend from the investment, it'll generate \$20,000 per year. That combined with government benefits, should be enough to fund a middle-class retirement in a cheaper Canadian city.

The good news is, there are plenty of stocks that pay sustainable 5% dividends. One of my favourites is **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)), which owns the trademarks for Canada's second-largest burger chain. There are now more than 850 A&W locations in Canada.

The company has quietly been one of the best investments on the entire Toronto Stock Exchange, delivering excellent long-term returns since its 2002 IPO. Management is laser-focused on execution, using timeless methods like focusing on great ingredients, clever marketing, and interesting promotions.

You likely remember A&W as the fast-food chain that first took a chance putting a non-beef burger on the menu. That was a raging success, and it was copied by virtually all of its competitors. The company will now try something a little different, featuring non-meat chicken nuggets as its next promotion. This analyst thinks it's a terrific idea.

A&W shares follow a predictable pattern. The company posts consistently solid results, steadily growing both same-store sales and the number of restaurants. Increases in profit get paid back to shareholders in the form of ever-increasing dividends. In fact, A&W raised its payout for six consecutive quarters in 2018-19. The current payout is 5.2%.

## The bottom line

If your retirement nest egg isn't as large as you'd like, don't sweat it. By [maximizing your CPP](#) and other government sources of income, working part-time, and putting your savings into great dividend payers like A&W, you'll end up just fine.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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## **Date**

2025/09/09

## **Date Created**

2019/11/28

## **Author**

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