
Self-Manage Your Retirement & Boost Your Retirement Income

### Description

Canadians are making a huge mistake that will lower their lifetime income and impact their ability to enjoy retirement. They are paying way too much in fees to have other people choose their investments for them in group Registered Retirement Savings Plans (RRSPs).



Moreover, the Canadian Pension Plan (CPP) system only returned 1.7% in the third quarter of 2019, according to a **Royal Bank of Canada** (TSX:RY)(NYSE:RY) report. Canadians will need more than the average CPP payout of $640 per month to enjoy retirement.

If you have an employer-sponsored retirement plan, you are likely paying up to 2% of your contributions in fees to have someone else manage the stock and bond assets. These plans are unlikely to give you a higher income during retirement than would self-investing in a Tax-Free Savings Account and Registered Retirement Savings Plan.

In employer-sponsored pooled and group Registered Retirement Savings Plans, savers don't have the luxury of choosing high-return investments. Strangers decide where to invest the money, and those decisions may not always be the most profitable. With more confidence and a few tips, aspiring Canadian retirees can easily choose high return stocks to retire in style and boost their CPP income.

## You can beat CPP returns with RBC stock

If savers in Canada want to capture an excellent risk-adjusted interest rate premium, investing directly in the Royal Bank of Canada is one of the best available options. The Royal Bank of Canada issues a quarterly dividend of $1.05 per share for a yield of 3.86% at the current share price of $108.73.

Even better: investors might as well consider the dividend return risk-free income. Some Canadian savers may mistakenly believe that RBC stock carries more risk than GICs. To a certain extent, they would make a decent point.

GICs do guarantee a replacement of the initial investment, whereas stocks do not come with any warranties on a principal balance. Nonetheless, it is essential to remember that the Royal Bank of

Canada has only suffered from very short and temporary declines in stock price.

Even during the 2007 financial crisis, RBC stock only experienced a temporary fall in share value for one year from 2008 to 2009. The past may not always be the best predictor of the future, but it is fair to say that RBC will probably continue to experience strong price momentum in the future.

## 25-year investments augment retirement income

If you had purchased RBC stock in January 1995, your initial investment of around $6.63 would have appreciated in value by 1,540%. You would need to earn an annual compound interest rate of 12.3% on your savings account to achieve the same return as RBC stock.

It isn't too late to buy RBC stock and achieve this level of return over the next 25 years. RBC is one of the most politically well-connected and influential institutions in Canada. The bank has been a signature landmark of the Canadian economy for 155 years. In another 25 years, RBC will still be just as profitable, if not more.

Banks are a special part of the economy in that they are too crucial a component for the government to allow them to fail. The banking system is secure in Canada and other developed countries because we dictate monetary policy and bank liquidity through multiple channels. The chances of a steep plummet in the value of RBC is imperceptible.



## Only invest the minimum in group RRSPs

Far too few Canadians know how easy it is to self-manage retirement portfolios. Instead, Canadians depend too much on low-yield Canadian Pension Plan payments and employer-sponsored funds.

The best strategy for hard-working Canadian savers is to contribute the minimum required to earn employer retirement contributions in group plans and put the rest of their savings into self-managed stocks and GICs.

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