1 Dangerous Mistake to Avoid When Planning for Retirement!

Description

Saving for retirement involves accounting for many different variables, and it isn't easy to determine how much you'll need. After all, one of the biggest unknowns is how long you'll end up living for, so even just estimating how much you'll need to save is going to be difficult. However, according to **Royal Bank of Canada** (TSX:RY)(NYSE:RY), 21% of employed baby boomers have been making one very dangerous assumption when it comes to planning for their retirement, and that's relying on an inheritance. There were even 3% of people who were banking on a lottery win.

Why inheritance doesn't belong in your retirement plan

Even if you have parents who are well off, you should never budget for an inheritance in your retirement plan.

First of all, it would be very difficult, if not impossible, to determine the amount of money that you would be entitled to. With many Canadians in debt and having financial difficulties, there could be many liabilities that may be overlooked that will impact how much will be available via inheritance.

Secondly, things could change between now and when your inheritance might become available. Additional costs and expenses could be incurred by those you are expecting an inheritance from that could significantly impact the payout that you end up receiving in the end.

Lastly, there's also the issue of the actual will itself. While you may be designated to earn a significant portion of an estate, you may not know the exact percentage. And there could also be other beneficiaries who you may not be aware of and other items in the will that may impact your overall payout.

In short, there are far too many variables when it comes to an inheritance to account for it in your retirement plan, and it certainly shouldn't be an excuse to forgo having a real one.

Investing in a blue-chip dividend stock should be in your plan

Inheritance is a big question mark that's going to be impacted by many factors. However, a dividend stock like RBC is going to be much more of a sure thing to have in your investment plan. Not only is a top bank stock going to continue rising in value over the years, but you can also count on its rising dividend payments as well. For investors who are trying to accurately plan for their old age, there aren't many question marks surrounding RBC's business or its ability to continue paying dividends over the years, and so estimating its future returns is a lot easier than projecting the payout from an inheritance.

While there may be short-term concerns of the economy stumbling or a housing crisis happening, over a longer period of time, those issues aren't likely to weigh on your portfolio. The Great Recession, which took place a decade ago, is a reminder of how well an economy can recover, even when things may look dire in the short term. That's why investing in a stock like RBC can prove to be a very safe and more predictable way to plan for your retirement, as its returns will coincide with the general strength of the economy. There will still be some variables to account for, but its performance over the years will not be as much of a wildcard as a possible inheritance may prove to be.

Bottom line

There's nothing wrong with expecting an inheritance, but you shouldn't make it a significant piece of your retirement plan or you could be in a for a big surprise.

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