# Here’s How Much of an Impact Saving Just $10 Every Day Could Have on Your Retirement

## Description

Saving money doesn’t have to be hard or painful. It all starts with a change in habit. It could be as simple as not buying **Starbucks** coffee every day and making lunch rather than going out to eat. For many of us, finding $10 that we can cut out of our daily expenditures probably isn’t hard. If you can’t, it’s a great way to challenge yourself because if you’re able to do so, it could make your retirement plan significantly stronger in the process.



Cutting out $10 in expenses every day means that you’ve just freed up an extra $300 a month. You can use this to pay down debt, or if you’ve paid off your debt, you can use it to save and invest for your future. And at $300 per month, assuming you haven’t maxed out your tax-free savings account (TFSA), then your annual contribution of $3,600 will fall well shy of the annual limit of $6,000. That means that that extra $10 per day that you can put into the TFSA can generate tax-free earnings either through dividend income or capital appreciation.

All that’s left is finding a good investment to put that money into. For many investors, balancing risk is important and so a stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) will always be a good choice. With a strong, growing dividend and the bank being among the strongest in the country, there’s little reason not to like TD for its stability and dividend income. Not only will it generate dividends, but the stock will likely rise in value over the years as well.

Over the past five years, TD’s shares have risen by around 47%, averaging an annual growth rate of 8% per year. That, along with the company’s dividend of 3.9% gives you close to 12% per year. That $10 you save per day now grows to $11.2 in a year. And that $300 saved every month becomes $336. But the real value is in making these contributions every month and doing this for decades while holding onto shares of TD. Here’s a summary of how much you’ll be able to earn if you invest $3,600 every year, earning 8% per year with a dividend of 3.9%:

| Year | Total Contributions | Beginning Portfolio Balance | Growth | Ending Portfolio Balance | Divide |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 1 | $3,600 | $3,600 | $288 | $3,888 | $140 |
| 2 | $7,200 | $7,488 | $600 | $8,088 | $280 |
| 3 | $10,800 | $11,688 | $936 | $12,624 | $420 |
| 4 | $14,400 | $16,224 | $1,300 | $17,524 | $560 |
| 5 | $18,000 | $21,124 | $1,692 | $22,816 | $700 |
| 6 | $21,600 | $26,416 | $2,116 | $28,532 | $840 |
| 7 | $25,200 | $32,132 | $2,574 | $34,706 | $980 |
| 8 | $28,800 | $38,306 | $3,068 | $41,374 | $1,12 |
| 9 | $32,400 | $44,974 | $3,602 | $48,576 | $1,26 |
| 10 | $36,000 | $52,176 | $4,179 | $56,355 | $1,40 |
| 11 | $39,600 | $59,955 | $4,802 | $64,758 | $1,54 |
| 12 | $43,200 | $68,358 | $5,475 | $73,833 | $1,68 |
| 13 | $46,800 | $77,433 | $6,202 | $83,635 | $1,82 |
| 14 | $50,400 | $87,235 | $6,987 | $94,223 | $1,96 |
| 15 | $54,000 | $97,823 | $7,835 | $105,658 | $2,10 |
| 16 | $57,600 | $109,258 | $8,751 | $118,010 | $2,24 |
| 17 | $61,200 | $121,610 | $9,741 | $131,350 | $2,38 |
| 18 | $64,800 | $134,950 | $10,809 | $145,760 | $2,52 |
| 19 | $68,400 | $149,360 | $11,964 | $161,323 | $2,66 |
| 20 | $72,000 | $164,923 | $13,210 | $178,134 | $2,80 |
| 21 | $75,600 | $181,734 | $14,557 | $196,290 | $2,94 |
| 22 | $79,200 | $199,890 | $16,011 | $215,901 | $3,08 |
| 23 | $82,800 | $219,501 | $17,582 | $237,083 | $3,22 |
| 24 | $86,400 | $240,683 | $19,278 | $259,961 | $3,36 |
| 25 | $90,000 | $263,561 | $21,111 | $284,672 | $3,50 |
| 26 | $93,600 | $288,272 | $23,090 | $311,363 | $3,64 |
| 27 | $97,200 | $314,963 | $25,228 | $340,191 | $3,78 |
| 28 | $100,800 | $343,791 | $27,537 | $371,328 | $3,92 |
| 29 | $104,400 | $374,928 | $30,031 | $404,959 | $4,06 |
| **30** | **$108,000** | **$408,559** | **$32,725** | **$441,284** | **$4,20** |



By the end of year 30, the $10 per day savings plan could grow your savings to over $500,000. Rather than spend that $108,000 over all those years, you could save it and significantly improve your retirement. And remember, this total is likely bigger as this model does not factor in dividend growth nor are the dividends reinvested. For the sake of not complicating this too much, I've assumed that the dividend will remain at an average of 3.9% per year. However, it does not account for older investments that will be earning a higher effective yield.

You could invest in higher growth stocks that may offer better returns, but the value that TD offers investors is through its long-term stability and its consistency. It's a stock that you won't have to keep close tabs on every day wondering if it has been impacted by the latest market volatility. Although it will be affected by how the economy does, TD is a strong, resilient stock that isn't in any danger of going out of business anytime soon.

## Bottom line

While it may not be easy to cut out daily expenses that we've become used to, this is a good example of just how much it can pay off in the end. Sacrificing one or two expenses out of our day-to-day lives could have a tremendous impact on our long-term savings.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)



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