How Much Income Will You Have in Retirement? 3 Easy Steps to Get You Started

Description

If you're nearing retirement, you might be realizing that it can be a complicated time. Most people are going from one primary source of income that is easy to figure out to several sources of income, such as your CPP, OAS, and other pension or RRSP withdrawals.

Here are a few things you will need to figure out.

Calculate your CPP

The first big decision you will need to make is when you should take your CPP.

You can take your CPP at age 60, but you will lose 36% of your pension permanently if you do this. It is reduced by 0.6% for every month before your 65th birthday you start taking your CPP. That's 7.2% per year.

But if you delay receiving your CPP until age 70, your payments will be permanently increased by 0.7% for every month you delay after your 65th birthday. This equals a total of 42% more than if you were to take it at 65.

Calculate income from work pensions

Your next step is if you have a pension from work, you'll have to figure out how much you receive from it. It's important to know if it is a defined benefit plan or defined contribution. If it is a defined benefit plan, it is simple, and you should know exactly how much you will get paid every year of your retirement by contacting your pension provider or employer.

If it is a defined contribution plan, it depends on how your investments have performed. You won't know for sure exactly how much you'll have until you retire, but you can estimate it if you are close enough to retirement.

Invest in stocks

After you calculate these two amounts, you might determine that you need more money to retire.

If you figure out that you need, for example, $30,000 per year above your pensions, what are the best ways to reach your retirement number? One of the most efficient ways to hit your number is to start investing early in excellent cash flow positive companies.

For example, take a great company such as **TD Bank** (TSX:TD)(NYSE:TD). Toronto-Dominion is a pre-eminent bank stock not only for its popularity but also for its resiliency to live through market crashes.

TD rose to prominence during the 2008 financial crisis. While most financial institutions were struggling with the contagion effects of the international crisis, the bank showed robust performance. TD reported both revenue and earnings growth during this trying time. With a 4% dividend yield and a mind-blowing 162-year dividend history, the dividends are historically stable.

If you were a 45-year-old investor 20 years ago, and you invested $10,000 in TD at that time, and you're ready to retire at 65, your initial investment with dividends reinvested would be worth $74,892.

This calculation doesn't take into account taxes, but if you invest in TD in your TFSA, it would be worth that full amount if returns are maintained in the future.

Conclusion

Retirement can be a confusing time with significant life changes. Your income sources don't have to bring stress to your life, as long as you track them carefully and figure it out before you retire. Look at your CPP, work pensions and RRSPs, and invest in stock to supplement your retirement.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/08/21
Date Created
2020/01/04
Author
cliew