



Millennial Savings: Cut 3 Big Costs to Invest More for Your Retirement

Description

Housing, transportation, and food are some of the biggest costs that cut into your retirement savings. Here are some ways to cut these costs so that you can save and invest more for a rich retirement.

Housing

Housing costs can easily eat up a third to half of your salary. If you own your home, stick to your schedule of paying down the mortgage. Although mortgage rates are low, most people would rather pay off their mortgage before retirement than to have debt weighing on their minds.

If you want to pay off your mortgage even faster, consider renting out a part of your home and quickly turning it into a cash-flow-generating asset. For example, you might rent out a room or the basement.

Sometimes, renting makes sense. This would probably apply to millennials who live in hot housing markets such as Vancouver and Toronto.

Rental income for these markets likely won't cover monthly mortgage payments entirely. Instead, buyers today have to fork out more money on top of the rental income they receive. Additionally, they also have to answer to the tenant's needs whenever something breaks.

In other words, you'd save more money (and hassle) if you rent in hot housing markets unless you're willing to travel farther to work.

Transportation

Owning a car is convenient, but it's a costly expense as well. After paying for the car, there's recurring maintenance, insurance, and fuel costs. If you don't use your car very often, it may be a better option to go with public transportation or consider car-sharing or ride-sharing.

Food

Many millennials don't realize how much they spend on food. This is an easy category for money to disappear into. If you track how much you spend on food, you could save a lot over a year.

For example, if you buy lunch every day at work, you could be spending \$300–\$600 a month or \$3,300–\$6,600 a year assuming you work 11 months a year. For a couple, that could be savings of \$6,600–\$13,200 a year!

Not to mention the amounts spent on daily coffee and dining out.

From savings to investing

Any savings from these categories can go directly to your investments, which will ultimately pay for your retirement. For example, if you're able to save an extra \$150 per month (or \$1,800 a year) and invest for an annualized return of 10% in stocks like [Enbridge](#) and [Scotiabank](#), you'll end up with hefty retirement savings of close to \$300,000 in 30 years!

You can also invest in low-cost exchange-traded funds (ETFs), such as **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF** (CDZ), for greater diversification and branch out to individual dividend stocks in the future.

The Dividend Aristocrats ETF is low risk in that the underlying index screens for large, established Canadian companies that have increased dividends for at least five consecutive years. Additionally, it pays a monthly dividend that yields about 3.8%.

Just like buying quality stocks, it'd lower your risk and boost your returns to buy the ETF on dips.

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