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Hate Working? Retire Early by Doing This

Description

You don't have to win the lottery to be able to get rich and retire early. The key to being able to do that is to saving money and investing it wisely. That doesn't mean you need $1 million today or even $10,000. As long as you start early, you can benefit from a growing portfolio and dividend that can put you in a terrific position to retire by 60 or even earlier. Below, I'll show you how that's possible.

First off, risk is important, and so to gauge what a realistic and safe expectation is for investors, let's take a look at one of the safer stocks on the TSX: **Fortis** (TSX:FTS)(NYSE:FTS). The utility provider is nearly as safe as a bank stock while providing better returns. In five years, shares of Fortis have risen by nearly 50%. That's an annualized return of about 8%, which is in addition to the dividend that the stock pays, which currently provides for a yield of 3.3%. Even though the stock raises its payouts, for the sake of being conservative, I won't factor that into this calculation, as a growing dividend is less of a guarantee than a dividend itself. Let's also assume the dividend income isn't reinvested.

If you have no savings to start with, that means you're going to have to make up for that with annual savings. Let's assume that you save $500 per month, or $6,000 per year, and invest that into shares of Fortis, or a stock with similar returns and dividends, beginning at the age of 25. Here's how your portfolio may grow over the years if you continue to do that every year:

Age	Year	Total Contributions	Beginning Portfolio Balance	Growth	Ending Portfolio Balance	Dividends	Total Dividends	Portf Divi
25	1	$6,000	$6,000	$480	$6,480	$198	$198	$6
26	2	$12,000	$12,480	$998	$13,478	$396	$594	$14
27	3	$18,000	$19,478	$1,558	$21,037	$594	$1,188	$22
28	4	$24,000	$27,037	$2,163	$29,200	$792	$1,980	$31
29	5	$30,000	$35,200	$2,816	$38,016	$990	$2,970	$40
30	6	$36,000	$44,016	$3,521	$47,537	$1,188	$4,158	$51
31	7	$42,000	$53,537	$4,283	$57,820	$1,386	$5,544	$63

32	8	$48,000	$63,820	$5,106	$68,925	$1,584	$7,128	$76
33	9	$54,000	$74,925	$5,994	$80,919	$1,782	$8,910	$89
34	10	$60,000	$86,919	$6,954	$93,873	$1,980	$10,890	$10
35	11	$66,000	$99,873	$7,990	$107,863	$2,178	$13,068	$12
36	12	$72,000	$113,863	$9,109	$122,972	$2,376	$15,444	$13
37	13	$78,000	$128,972	$10,318	$139,290	$2,574	$18,018	$15
38	14	$84,000	$145,290	$11,623	$156,913	$2,772	$20,790	$17
39	15	$90,000	$162,913	$13,033	$175,946	$2,970	$23,760	$19
40	16	$96,000	$181,946	$14,556	$196,501	$3,168	$26,928	$22
41	17	$102,000	$202,501	$16,200	$218,701	$3,366	$30,294	$24
42	18	$108,000	$224,701	$17,976	$242,678	$3,564	$33,858	$27
43	19	$114,000	$248,678	$19,894	$268,572	$3,762	$37,620	$30
44	20	$120,000	$274,572	$21,966	$296,538	$3,960	$41,580	$33
45	21	$126,000	$302,538	$24,203	$326,741	$4,158	$45,738	$37
46	22	$132,000	$332,741	$26,619	$359,360	$4,356	$50,094	$40
47	23	$138,000	$365,360	$29,229	$394,589	$4,554	$54,648	$44
48	24	$144,000	$400,589	$32,047	$432,636	$4,752	$59,400	$49
49	25	$150,000	$438,636	$35,091	$473,726	$4,950	$64,350	$53
50	26	$156,000	$479,726	$38,378	$518,105	$5,148	$69,498	$58
51	27	$162,000	$524,105	$41,928	$566,033	$5,346	$74,844	$64
52	28	$168,000	$572,033	$45,763	$617,796	$5,544	$80,388	$69
53	29	$174,000	$623,796	$49,904	$673,699	$5,742	$86,130	$75
54	30	$180,000	$679,699	$54,376	$734,075	$5,940	$92,070	$82
55	31	$186,000	$740,075	$59,206	$799,281	$6,138	$98,208	$89
56	32	$192,000	$805,281	$64,422	$869,704	$6,336	$104,544	$97
57	**33**	**$198,000**	**$875,704**	**$70,056**	**$945,760**	**$6,534**	**$111,078**	**$1,05**

After 33 years, or at the end of age 57, you could arrive at $1,000,000 in your account. While $1,000,000 may not be enough to live off for the rest of your life, if you invest it into dividend stocks that pay 5% per year or more, you could be well on your way to earning more than $50,000. Or, you could just keep the funds invested in Fortis and continue collecting a dividend from it as well.

Either way, you’ll be putting yourself in a good position to earn a good source of recurring cash flow without taking on much risk. If you factor in any pension or old age benefits that you’ll receive from the government, you could be well on your way to living well and being able to retire early depending on your cost of living.

At the very least, you could start transitioning away from working full time and work part time instead to fill in any gaps along the way.

Bottom line

The key to a better tomorrow is saving today. Saving $500 a month isn’t easy, especially in your 20s. The above example is just one scenario. Another may involve increasing your level of savings once you hit your 30s or 40s, or having a big lump sum to start with at a later age. There’s no one strategy and no one stock, either. You could invest in a tech stock that has more potential growth or an ETF that can provide you with more balance.

At the end of the day, it comes down to savings, and the more money that you can put aside, the bigger these numbers will look, and the earlier that you can retire.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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