Zero Savings at 30? Here's How You Can Get Back on Track

Description

A late 2019 poll conducted by the Canadian accounting firm BDO Canada shed valuable light on how unprepared many are for retirement. Unsurprisingly, many of these issues stemmed from the growing debt crisis faced by Canadians. The survey of over 2,000 Canadians found that 53% had little disposable income and that 57% were carrying credit card debt. A third of respondents could not afford to pay their credit card balance, and 40% owned sums of more than $20,000.

Nearly 40% of respondents reported that they had no savings for retirement. Other recent surveys have also shown that millennials have become broadly despondent about the prospect of home ownership. An Oaken Financial survey found that 54% of millennials have delayed saving for retirement due to a high cost of living. The federal government has pushed for CPP enhancements to make up for a lack of retirement preparedness, but it may not be enough in the years to come.

The high cost of living is an unfortunate reality that Canadians will have to wrestle with in the foreseeable future. Today, I want to look at some ways millennial investors can more effectively prepare for retirement, even as they face mounting challenges.

Construct a financial plan

Yes, this was also a recommendation for retirees in the article linked above. A financial plan is a good idea for adults at any point in their life. It can be especially useful for young investors as they look to map out their financial and investment future.

A financial plan is a great way to instill confidence. Many Canadians who are in worsening debt and/or failing to save for retirement can feel like they are losing control. Constructing a financial plan can restore that control and remove feelings of helplessness. Beyond that, a financial plan is a great way to help reach your goals and accelerate savings.

Find creative ways to save

This is often a big hurdle for those looking to save for retirement. When we are done paying our bills at the end of the month or after a pay period, it often seems like there is nothing left to save. Here is a tip; pay yourself first. Before you raid your bank account to pay your monthly dues, allot a specified amount for your retirement account and make that your first task.

Another great option is to set up automatic contributions to your TFSA or RRSP. You can set this up with your financial institution or brokerage account. The best bet is often to match up these withdrawals with your pay period. If you are paid bi-weekly, make a bi-weekly contribution into your registered accounts.

Invest smart to start out

Investors who are just starting to get their feet wet should not go for the home run hit right away. It is better to target balanced equities with reliable track records. Bank stocks may not be all that exciting, but these stocks have consistently delivered the goods for long-term investors.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has seen its stock price more than double over the past decade. The stock also offers a quarterly dividend of $0.74 per share, representing a 3.9% yield. Dividend stocks offer a fantastic boon in a retirement portfolio, especially for young investors.

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