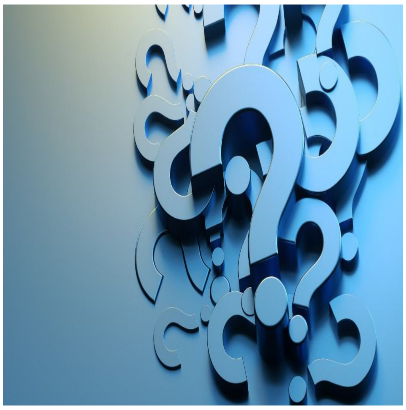

Can You Retire at 55?

Description

Everyone would love to retire early, or at least have the option to do so. The real question is how plausible it is to do so. One of the challenges when it comes to retiring early is that you'll likely need more savings than if you retire at 65 simply because you'll have to budget for more years that you'll need to withdraw money out for. There is, however, one exception to that.

How dividends can hold the key to an early retirement

The beauty of dividend stocks is that as long as a company keeps issuing a dividend, you can continue generating income without having to withdraw your savings. And if a stock increases in value, your savings can actually grow over time. Take, for instance, a stable stock like **Royal Bank of Canada**.

The top bank stock has risen more than 40% over the past five years in addition to the dividend income generated for investors over the years.

While its dividend yield of 3.9% may not be as high of a payout as you can get from other stocks, it makes the stock's returns that much stronger when combining dividend income and capital appreciation.

However, Royal Bank is but one example, and investors could choose to invest in an exchange-traded fund (ETF) which pays a similar dividend yield and offers a lot more diversification in the process.

The point is that obtaining a yield of 4% is very attainable and realistic for investors who don't want to take on too much risk.

A good goal for retirement is to reach the $1,000,000 mark as that can help provide you with a solid $40,000/year in dividend income on a dividend stock that pays 4% per year.

Rising dividend payments can make that amount get even bigger over the years. Combined with Canada Pension Plan (CPP) and Old Age Security (OAS) payments, which can average close to $1,300 per month or over $15,000 annually, it can put you at about $55,000 per year in income during retirement — a number will grow as your dividend does.

While $55,000 may not seem like a lot, if by retirement you've paid off your home and any other debts, it could be enough to get buy. It definitely puts you in a better position than relying just on CPP and OAS payments alone.

Why you should build up your savings now

Even if you have $1,000,000 in your savings, you can see that investing that amount in a relatively low-risk ETF or bank stock isn't going to give you significant wealth when it comes to dividends.

That's why it's important to start saving as soon as possible to build up your nest egg as much as possible. The more you have to invest, the higher that dividend can get and the better off you'll be.

The short answer to whether you can retire at 55 is *yes*, but it'll ultimately depend on where you live and how you want to live. Your costs will likely factor more into the equation than your dividend income will.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:RY (Royal Bank of Canada)
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