Can You Retire on $1 Million?

Description

Planning for retirement can be difficult, since you have to factor in not only just how long you expect to live, but also how you want to live. The first step is determining how much income you'll need. Let's start with what the numbers say is the median income for Canadians. According to Statistics Canada numbers from 2017, the median income for an individual was $33,000 and $92,700 for a family.

However, assuming that your home is paid off by the time you retire, we can probably wipe around 40-50% off that total depending on where in the country you live.

And for families with children, another big chunk of their income goes towards childcare as well — an expense that, for many people, is long gone by retirement. That means for a couple that looked after children, the median income they'll need to have similar purchasing power is probably closer to between $40,000 and $50,000 per year. And so for one individual, that means between $20,000 and $25,000 may suffice under these assumptions.

That is great news, because if you reach $1,000,000 in savings by retirement, that would give you as much as 50 years of income to live off of. For a couple of seniors, that would be good for approximately 20-25 years. However, you can extend that or improve your standard of living by investing in dividend stocks as well.

For example, **Bank of Nova Scotia** currently pays investors a dividend yield of around 4.8%. If you invested $1,000,000 in Scotiabank and other similar-yielding stocks or perhaps an exchange-traded fund, that would be able to generate around $48,000 per year in dividend income.

The challenge is getting to $1,000,000

Reaching $1,000,000 is certainly a good goal, but getting to it may not be easy if you don't have a lotof investing years left. If you've got a couple of decades to work with and can max out your Tax-Free Savings Account (TFSA), then it could conceivably grow to $1,000,000 in fewer than 30 years (assuming TFSAs are still around by then). That's a long time and understandably may turn off many investors.

The alternative is to increase your level of savings or adjust your risk level. For instance, investing in a tech stock like **Shopify** is one way investors may be able to earn more than 10% a year, but by no means is it a guarantee. The danger, however, is if investors try to become too aggressive and turn to Bitcoin or very volatile pot stocks in hopes that their valuations skyrocket in a short timeframe. The possibility there is that investors could lose a significant amount of money and put themselves into an even worse position overall.

The safest scenario is always to try and build your savings as much as possible, as it's a lot easier to turn $100,000 into $1,000,000 than it is to do that with $69,500. And if you and your spouse are saving together, then you can each contribute to your own individual TFSAs and help increase the amount that you can invest on a tax-free basis. It's no easy task, but by trying to maximize your savings, it can make for a much easier retirement later on that you can live off for many years.

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