3 Scary Outcomes of Not Saving Enough Money

Description

A rude awakening awaits people who are not saving enough money. This is not an implied threat but rather the stark reality. Without savings, you're opening yourself up to three scary outcomes.

No money for unexpected expenses

Medical expenses, in particular, can be your biggest cost as you get older. But aside from health risks, you might not be able to cope with the increasing cost of living and other unexpected expenses. Hence, savings is an emergency cushion.

No money but more debts

To pay for unplanned expenses, the recourse of people with little to no savings is to borrow money. Accumulating debt could mean working more years to pay off debts. You'll be too weary to enjoy your retirement.

No money to invest in blue-chip stocks

You'll be in a precarious financial situation if you'll rely on your pension alone. With enough savings, you have the capital to invest in blue-chip stocks.

Many retirees have been living off dividends from **Toronto Dominion Bank** (TSX:TD)(NYSE) and **Sun Life** (TSX:SLF)(NYSE:SLF). The two companies are well established, financially sound, and have been operating for years.

TD, the second-largest bank in Canada, has a market capitalization of $135.89 billion. This premier financial institution has a five-year dividend growth rate of 10.39% and currently yielding 3.9%. Its dividend track record is 163 years.

In the banking industries of Canada and the U.S., TD is a behemoth. The bank was able to achieve strong market penetration and is still growing its presence in both markets. The dividend policy is assertive, with an internal mandate to increase dividends once a year and maintain a payout ratio of 50%.

TD's revenue and earnings growth have been steady, including the duration of the 2008 financial crisis. Only TD among the world's biggest banks and corporations reported growth in revenue and earnings at the height of the said financial meltdown.

Historically, TD was able to rise above wars, economic downturns, inflation, and deflation. You can hang on to the stock for years to receive consistent income.

Sun Life, one of the top global insurers, has a market capitalization of $38.37 billion. In its recent presentation of Q4 2019 financial results, the company's net income was $792 million or a 10.4% increase year-on-year. Management credits the strong segmental performances as the growth drivers.

Net income in the Canadian market grew to $264 million (+8%), while the U.S. market showed a net income of $137 million (+13.2%). Asset Management had the most significant increase (+23.8%) or a net income of $281 million. The Asian market rose by 2.3% year-over-year to $143 million, albeit the region is starting to pick up.

Over the last five years, this quality stock increased its dividend four times on a year-over-year basis. The average annual increase was 8.03%. Future dividend increases will depend on earnings and payout ratio, which stands at 49.4%.

Sun Life expects earnings to expand by 8.1% this fiscal year and to average 7.13% annually in the next five years. The 3.39% dividend should be sustainable.

No confidence to retire

Had you been saving since your very first salary and investing in blue-chip stocks, you have a safety net by now. Nothing is as scary as heading into retirement without sufficient financial resources.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:SLF (Sun Life Financial Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/02/17
Author
cliew