74% of Canadians Are Making This Big Mistake About Their Savings

Description

A recent poll conducted by **Royal Bank of Canada** suggested that 74% of Canadians "continue to worry about their savings and how to balance immediate financial priorities against long-term needs, [and] they are increasingly struggling to bridge a savings gap."

The poll also found that "while over half of Canadians cite saving for retirement (56%) and a rainy day (53%) as their top financial priorities, what they manage to save for either is falling well short of their intentions."

These Canadians are worried about their savings, but what they really need to do is not just save but invest. Since their savings are "falling well short of their intentions," it's all the more essential to invest the savings properly.

Save early, so you can save less later?!

You can be way ahead by saving and investing early than saving more and investing later, because time and compounded returns can work immensely in your favour.

For example, if you save and invest $100 a month ($1,200 a year) and earn a very reasonable return of 10% per year, you'll have a nice nest egg of $217,132 in 30 years.

However, if you delay your saving and investing by 10 years, even if you boost your savings to $200 a month ($2,400 a year) and earn the same rate of return of 10%, you'll only arrive at $151,206.

Here's what you need to do to get your money to work for you.

Pay yourself first!

The number one thing Canadians need to do is to pay themselves first. If they're paying the utility companies, phone, or internet companies, streaming service or TV providers, the landlord for rent, or the bank for mortgage payments, surely they can spare $10 or $100 each month to save for their retirement.

Start with even just 1% of your paycheque and slowly raise it to at least 10%. What's important is to get into the habit of paying yourself first!

Saving is not enough: It's time to invest!

You actually can't get very far by saving money nowadays due to today's ultra-low interest rates. Instead, invest your savings to secure your retirement.

It's actually timely to invest now, as we've been experiencing a stock market correction.

For new investors, it'd be the simplest to invest in a market-wide index fund like the **SPDR S&P 500 ETF Trust**. Simply keep buying it periodically and watch your investments grow over time.

If you can save at least $1,000 periodically, another excellent option is to start investing by buying quality dividend stocks. These stocks will help boost your savings rate, because they'll generate passive income for you immediately.

Basically, the dividends will appear in your account as they're paid out, and then you can pool the dividends along with your regular savings.

The stock market correction has brought great dividend stocks like **Enbridge**, **TD Bank** and **A&W Revenue Royalties Income Fund** down such that they yield 6.5%, 4.5%, and 5.6%, respectively. They should make excellent core holdings for your long-term retirement portfolio fund!

You can also expect the group as a whole to increase the payouts at a rate faster than inflation every year.

Buy stocks now on the cheap in this market correction for extraordinary long-term returns so that you can have more for your retirement!

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