Retirement Planning? 3 Ways to Stay Calm in the Midst of a Global Panic

Description

Retirement planning is a necessary and inevitable part of adult life. You have to do it sooner or later, and the sooner you start, the better it will be for your retirement financials. But many people wait too long before taking this important step in their lives — a step that can mean the difference between a cozy retirement and living hand-to-mouth on government benefits.

But sometimes external disruptors can pause or delay the retirement planning too. The current global panic concerning coronavirus (COVID-19) is such an external disruptor, and it may have thrown a wrench in your retirement plans.

Ironically, 2020 was pegged as a year of recession anyway, but the experts were split on whether it would actually happen. But now the impact of coronavirus on global and individual markets can actually become the trigger that fires the recession.

You might be thinking that in current times, holding on to your assets or collecting gold like a dragon might be the wise thing to do. But if you take a step back and look at the broader picture, you will see that this global panic might not have the impact you think it would. Still, three things can help you land on solid ground about your retirement planning.

Review what you have now

If you are a near retiree, the chances are that your savings have already been put to work, and you have a few securities tucked away in your RRSP or Tax-Free Savings Account (TFSA). The recent plunge in the market value of your holdings might cause your heart to drop a bit as well.

But you have to understand that even the most stable of stocks follow the broader market to an extent. If you have invested in good businesses, they will recover — before your primary income stream stops, one hopes.

When reviewing your holdings, get a clear picture of how they are distributed. If you have the bulk of your money tied up to one risky sector or company, plan your next investments differently. Don't sell during the panic.

Dividend aristocrats

If you already have Dividend Aristocrats in your portfolio, and a decent amount of your retirement income is dividend dependent, than you probably don't have a reason to panic. Let's say you have a star dividend stock like **Enbridge** (TSX:ENB)(NYSE:ENB).

The company has increased its dividends for two consecutive decades and has one of the highest yields (6.44%) among other long-standing Dividend Aristocrats.

The increase in payouts is more than just symbolic. In the past five years, the payouts have increased by 50%. One problem is that the company has pushed itself too hard to keep its dividend streak going, which is reflected in the 112% payout ratio.

But the future projects, like L3 replacement and company's movement in the wind energy territory, are expected to thicken the cash in-flow stream for the company.

Maximize your CPP and OAS pension

Many Canadians are working past 65 right now, which has amazing and far-reaching financial benefits. If you work till 70, you get five more years to earn, save, and compound. This can inflate your nest egg quite substantially.

Another great benefit of working till 65 is that with your primary income intact, you can defer your CPP and OAS payments. If you are expected to receive a total of $1,290 in CPP and OAS pensions when you are 65, you can increase it up to $1,800 by deferring to receive the payments till you are 70.

If your average monthly expense as a retiree is about $2,611 (national average), you will only need to create a passive income of about $811 to cover your expenses. Anything over that is just the cherry on top.

Foolish takeaway

In the widespread fear of a global pandemic, panicking for your and your family's health and well-being is totally understandable. But your retirement planning, if done right, can be relatively immune to the market movements this global panic has created.

In fact, if you have a little set aside for investments, it might offer a great time to buy great stocks at a discounted price.

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2. TSX:ENB (Enbridge Inc.)

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