Is $500,000 Enough to Retire in Canada?

Description

Is $500,000 enough to retire in Canada? There is no definite yes and no answer to the question. The more truthful answer would be “maybe,” given that there are so many variables in the equation. If you earn a $100,000 a year and you plan on retiring when you are 65, then $500,000 may fall short in letting you sustain your lifestyle.

If you are used to a financially disciplined lifestyle, your house is paid off, and you retire at 70. Then with CPP and OAS, you may get by with that amount. But only if you live to a certain age. Because the longer you live, the faster you will deplete your account, especially your RRIF, which will likely make up the bulk of your nest egg.

There are various calculators available, including the one from the government, but the results are simply estimates and predictions. Also, the amount itself doesn’t paint the complete picture. The amount tied to dividend stocks and how much can be used through systematic withdrawals will also impact whether it’s enough.

If half of it is invested in dividend stocks, then an average 4% yield will give you $20,000 a year. And if the combined CPP and OAS pension adds up to $19,000 a year, that would get you the pre-tax income (as an individual) of $39,000. The rest would come from systematically selling the rest of the stocks. Do you think you will be able to sustain your current lifestyle with that income when you retire?

If the answer is yes, then $500,000 might be enough for you. But that might not be true for everyone. One report puts the magic number at $756,000, for a comfortable retirement. Another over-simplified estimate is that you will need at least a million dollars for a cozy retirement. While “the more, the merrier” is true in this case, it’s safe to say the $500,000 might not be enough for a significant number of Canadians in retirement.

How to grow your nest egg

Add some growth to your portfolio. If you are young, you may afford to take on a bit of risk. But you can mitigate that risk by choosing the right growth stock. One contender can be the **Calian Group** (TSX:CGY

). It's a consulting company that provides solutions to various organizations from different sectors. It employs experts in tech, engineering, cybersecurity, health, and training.

The company has returned 250% to its investors in the past five years. Its 10-year CAGR is at 17%, and that's very conservative compared to the company's recent growth pace. Even at half of this growth rate (8.5%), a $30,000 investment in this company can earn you over $346,000 in 30 years, without another penny invested. And $30,000 is just half of a fully funded TFSA.

That should give you an idea of what you can do if you have a fully stocked TFSA ($69,500) and a reasonably stocked RRSP for your future nest egg. The key here is saving *and* growing. On their own, neither would help you reach your ideal retirement nest egg. But together, they can pave the way for a cozy retirement.

Foolish takeaway

A case can be made that $500,000 (or even a bit less than that) is enough for retirement if you are used to a frugal lifestyle. But that would just be enough to help you survive. If you want to spend your golden years a bit more comfortably, with traveling and taking up a few hobbies, a larger nest egg would be better.

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1. TSX:CGY (Calian Group Ltd.)

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