



Retiring Soon? After COVID-19, You Might Have to Wait

Description

People feeling the economic pinch of the pandemic are reorganizing financial priorities. For would-be retirees, it might mean an overhaul of retirement strategies. Many Canadian seniors do not depend on the Old Age Security (OAS) and Canada Pension Plan (CPP) because pensions are [partial replacements](#) of pre-retirement income.

The havoc of a COVID-19 is sure to affect retirement plans. If preparing for retirement under normal circumstances isn't easy, what happens in a global pandemic?

Put the plan on hold

The health crisis presents a dilemma. Soon-to-be retirees might need to delay retirement. Even current retirees are thinking of returning to work out of financial need. Early retirement is no longer a viable option because of the double threat to health and employment security.

Putting your plan on hold is a practical move. You can re-evaluate your options while working and earning your keep (if you have a job). Employment income should cover living expenses and still leave you some to set aside as savings for retirement.

Trim your spending

The name of the game is capital preservation. Companies are cutting down on expenses, and so too prospective retirees. Take a fresh look at your spending habits and let go of non-essential expenses. Scrap vacation or travel plans since you won't be going anywhere in the near-term.

Don't borrow

The low-rate environment is very tempting, although retirees shouldn't be carrying more debt heading into retirement. If you have the means, pay down your debt instead. Borrowing or interest costs will eat up on your retirement funds.

Stay invested

If you have investments, shift your money to [low-risk assets](#). Bonds are safety nets except that yields are very low at this time. While hoarding cash is good, the growth potential is zero. You need to invest in stocks with bond-like features and offer higher returns.

A utility company like **Emera** ([TSX:EMA](#)) is a defensive stock. This \$13 billion company's business is to generate, transmit, and distribute electricity, gas, and other utility energy services in North America and the Caribbean.

As the demand for its services is constant, it tends to be stable regardless of market environments. Thus, there is capital protection

Cash flows are predictable as the majority (95%) of its electric and natural gas utilities, natural gas pipelines portfolio are regulated. Emera's customer base is diverse (residential, commercial, and industrial) and 2.5 million strong.

The stock performance is proof of Emera's defensive qualities. Many stocks across various sectors are struggling after the market sell-off. Emera is outperforming the general market and is down just 2.75% year to date.

It also pays a high 4.48% dividend. Finally, Emera is a Canadian Dividend Aristocrat with its CAGR dividend growth of 9% in the last decade.

Prepare to overcome

You need a substantial nest egg to enjoy a high quality of life during the sunset years. There are challenges, and financial dislocation is the most challenging. You don't want to outlive your retirement savings at this crucial stage.

If you started saving and investing some 20 or 25 years ago, the pandemic will not derail your plans. If not, wait until you're 100% sure that your retirement wealth can overcome the challenges of retirement life.

CATEGORY

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2. Investing

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