Avoid the 1 Biggest Canadian Retirement Mistake

Description

Retirement years are often considered the golden years of a person's life. They have all the time in the world, and even if they don't have the energy that their young self did, they can use that free time to travel, take up a hobby, and do many of the things they couldn't do when they were working.

That's contingent upon one variable: Retirement savings.

While there is no one fixed number that all Canadians are trying for, almost everyone has their retirement goal and an amount that they believe will help them retire comfortably. The amount depends upon their current lifestyle, ongoing financial obligation, and how much they believe they'll need in their retirement years. And that's where the biggest Canadian retirement mistake comes in.

Canadian retirement mistake

Most Canadians aren't ready for retirement. No matter how much they are earning now, they don't have enough stowed away to match their retirement dream amount. A **Royal Bank of Canada** study revealed the disconcerting fact that the older Canadians are, the less prepared they are for their retirement.

The study looked at two pools of 50-year-olds who wish to have a million dollars by the time they retire. Those who have more than $100,000 in assets are likely to fall short of their nest egg goal by a quarter million when they retire. Those who have less than $100,000 in assets may fall short of their ideal number by more than half a million.

The reason is simple: Canadians are simply not saving enough money. Even if you are earning a bare minimum, the good rule of thumb is that you should be able to put away about 10% of your pre-tax income as savings. If you don't have enough financial discipline to stay your hand, it might be a good idea to set up automated savings.

You can set up your checking amount in a way that, as soon as your pay comes, a part of it, say $500 is transferred to your Tax-Free Savings Account (TFSA) for investment.

Grow your retirement savings

On its own, savings might not even be nearly enough to help you reach retirement goals, even if it's a bit less than one million. The best way to grow your wealth to appropriate levels is to invest. One stock you may want to consider is **Mainstreet Equity** (TSX:MEQ), a $619 million market-cap real estate company that primarily invests in apartment buildings in Western Canada.

Mainstreet's business model revolves around finding under-performing assets, renovating them, and properly managing them for proper rental cash flow. The company manages 344 apartments in 12 cities with a total of 13,341 suites. Although the company has a lot of debt (almost double its market capitalization), the balance sheet appears to be stable enough.

Mainstreet offers decent growth opportunities. Its 10-year compound annual growth rate (CAGR) is 20.35%, which is enough to convert just half of your monthly savings, that is, $250 into about a quarter million in 15 years.

Foolish takeaway

It's hard to save any amount of saving as your last financial goal. If you think that you'll put away whatever you have left at the end of the month as saving, you might not be able to save anything. Instead, you should try and make savings your first priority.

If you put away a part of your paycheck as soon as it comes in and tries to manage the monthly expenditure with the leftover amount, it will help you save up a decent amount while teaching you to live within your means.

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