How to Retire if You Spend $10,000 a Month

Description

Money is an essential element in retirement, especially when you factor in life expectancy. The average life expectancy age in Canada is 82.52 years, so your retirement savings should last until 85 or 90. However, if you expect to spend $10,000 a month or enjoy a quality life, you can't.

Your Old Age Security (OAS) and Canada Pension (CPP) will cover 33% of the average pre-retirement income. The combined payment is only $1,286.40 monthly. Thus, you must figure out a way to fill the considerable deficiency. Creating other sources of income is a must.

The 70% rule

Retirement planning typically runs 20 to 30 years. You could probably set your retirement date at 65 to coincide with the start of your OAS and CPP payments. The earlier you can save money, the better. Unfortunately, it would not be easy to reach your financial goal by simply hoarding cash.

The rule of thumb is that you should have 70% of your pre-retirement income stashed away to spend yearly in retirement. It's unrealistic to earn that many five to 10 years away from retirement. But if time is on your side, say, a good 20 years or more, you'll likely hit your target and fill the gap.

Dividend investing is the less-complicated route to build retirement wealth. The choices on the TSX are plenty, but you can't pick randomly. You should invest in reliable income-producing stocks that are capable of paying dividends consistently for 25 years. By the time you take the retirement exit, everything is worry-free.

Start the trek

A standout investment for retirement planners is pipeline heavyweight **Enbridge** (TSX:ENB)(NYSE:ENB). This $83.3 billion energy infrastructure company can deliver 70% of your pre-retirement income with its high dividend yield of 7.91%. The first step is to open a Tax-Free Savings Account (TFSA) for tax-free money growth.

The top-notch dividend payer is an eligible asset in a TFSA. Since the CPP and OAS assure you of 33% average pre-retirement income, theoretically, you're running after 67%. Allow a significant time frame, and you'd be able to address the gap fully with Enbridge

The following are the assumptions: the initial investment is $130,500; the investment window is 20 years; and the dividend yield is constant. After the first 10 years, your money would be $279,400.67, while the monthly income is $1,841.72. In the next 10 years, your TFSA balance would be $598,197.18 and $3,918.19 in passive income per month. Problem solved!

Enbridge is a no-brainer buy for income investors. Its dividend track record of 25 years is not the key takeaway. The business model is low risk, and the services are critical to North America. The oil (25%) and gas (20%) requirements of the region pass through Enbridge's vast pipeline network.

Furthermore, cash flows are stable, because the contractual arrangements with investment-grade customers are long term. Besides, Enbridge is protected, if not immune, to volume and commodity price fluctuations.

Defeat your enemy

Procrastination is the enemy when it comes to securing your financial future. You can build a fortune from the money you can save and not spend today. All you need is the resolve to follow the plan. Only you can chart your destiny and live comfortably in retirement.

CATEGORY

1. Dividend Stocks
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cliew