



These 2 Things Are Preventing You From Retiring Early

Description

According to Statistics Canada, 45% of Canadians dream of retiring early or before age 65. A handful of everyday people have done so and realized the dream. Many can [achieve the same success](#), if only they can overcome two self-inflicted obstacles to early retirement.

1. Lavish spending

Everyone wants to retire early. I'm not speaking about forced retirement where you abruptly stop working due to health problems and job layoffs. Early retirement is more than possible if you're willing to make sacrifices. Lavish or needless spending will not get you on the [road to financial freedom](#).

The romance with luxury cars, for example, must end. Aside from costing a fortune, depreciation eats away your net worth. Operating costs like gas, oil, maintenance, and insurance add to your financial burden. For your transportation needs, purchase a cheaper, reliable car instead.

Whenever your income increases, maintain the status quo and don't boost spending. Save the extra money to build retirement savings or pay outstanding debts.

2. Incorrect investment decisions

Early retirement planning involves the right investment strategy that will provide reliable income during the sunset years. If you're investing in stocks to realize higher returns, don't allow emotions to rule your investment decisions. When the market goes haywire, investors often break the "buy low and sell high" rule.

Avoid panic selling, or you will incur more losses. You can maximize profits by keeping an eye on the future, not on short-term volatility. A Warren Buffett-like long-term perspective will result in tremendous success.

Forever stock

A soon-to-be retiree will not invest simply in high-yield dividend stocks. The choice must be a “forever” stock. One of the best blue-chip stocks worth holding on to indefinitely is **Bank of Montreal** ([TSX:BMO](#)) ([NYSE:BMO](#)). The eighth-largest bank in North America by asset size is the first Canadian company is to pay dividends.

Only the four other big banks come close to BMO's 191-year dividend track record. This bank stock pays a hefty 5.25% dividend. Assuming you have \$125,000 today, you're better off investing the money than buying the 2021 Audi RS Q8.

While upgrading to a luxury car will boost self-image, you won't earn lifetime income from the fastest SUV in the world. For the same amount of investment, BMO will deliver a quarterly income stream of \$1,640.63. Your money will appreciate, not depreciate, to \$449,223.66 in a 25-year time horizon.

BMO has a market capitalization of \$51.57 billion. The bank is investing heavily in technology, and its highly diversified financial services should ensure healthy earnings and steady dividend payouts for centuries more.

Financial freedom first

Early retirement is possible. The key is to understand what is necessary to make it happen. Take aggressive actions like curbing expenses and denying whims or wants for now. It would be best if you achieved financial freedom first before living the good life.

The bottom line is always to create surplus money whenever you can to add to your investable funds. As you keep growing your holdings in a blue-chip stock and accumulate retirement wealth, you might be ready to retire at 55 or earlier.

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