



Hope to Retire 1 Day? Do This 4-Step Checklist

Description

Hoping to retire one day is exciting, but only if you're able and ready to leave the workplace permanently. Often, people are taking the revolving-door retirement and not full retirement. It's okay if you're returning to work because you love the job, but it's traumatic if it's due to income needs.

The key to a successful retirement is plugging all the loopholes before making the firm decision. You can't walk out the door while [lacking in financial stability](#). Otherwise, you'll regret the decision. The following four-step checklist should prime you for an enjoyable retirement.

1. Pay off debt

Debt is the handcuff that prevents a person from retiring. Therefore, eliminating loan balances or accelerating debt repayments is the priority of would-be retirees. Aim for zero debt before retirement to give you a sense of ease.

When a regular paycheck is gone, the debt should be, too. You could end up devoting your pension and retirement savings to debt repayments in your retirement years. If you can get rid of debt soon, you'll be a carefree senior on the retirement date.

2. Figure out income sources

Assess your expenses and figure out your income sources in retirement. You already have a foundation in the Old Age Security (OAS) and Canada Pension Plan (CPP). The pensions should replace 33% of the average pre-retirement income. You need to work on filling the 67% gap. For regular Canadians, investment income is the third source in retirement.

Save for seed money to invest if you're debt-free. A telco stock like **TELUS** ([TSX:T](#))([NYSE:TU](#)) should give you a head start. The second-largest telecommunications company in Canada is a generous dividend payer, so expect your capital to compound on a long-term horizon.

TELUS is among the esteemed Dividend Aristocrats on the TSX. This \$30.35 billion company has raised dividends for 17 consecutive years. Management is eyeing to increase the annual payout between 7% and 10% through 2022. The current yield is 4.92%. Any amount of investment will appreciate by 307% in 25 years.

The investment thesis here is that the business of providing communications and internet services is inelastic. Consumer habits remain constant, regardless of the fluctuating prices of the essential services. Hence, TELUS has a visible moat. Furthermore, the industry it operates in is a near monopoly.

TELUS is the ultimate retirement stock because of its resilient business, investment-grade balance sheet, and sustainable dividend payouts.

3. Create a spending plan

Once you know the cash inflow and outflow estimates, create a spending plan. It means there's a detailed budget you must follow. Budgeting is the biggest challenge in the early years of retirement. Track where your money goes and see where you can cut back to free up more cash.

4. Have a withdrawal strategy

A withdrawal strategy is equally important in retirement. Your budget plan prevents useless spending, but your withdrawal strategy ensures you don't outlive your retirement savings. The [old 4% rule is still useful today](#), although you can adjust accordingly for later withdrawals.

Full retirement

Financial security matters the most in the golden years. Don't rush into retirement if things are vague, particularly your income sources. The four-step checklist should give clarity to all aspects and prepare you for full retirement.

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1. Dividend Stocks
2. Investing

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2. TSX:T (TELUS)

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