Don't Run Out of Money in Retirement! Take These Steps

Description

It doesn't seem possible, but if you're looking to retire at the ideal age of 65, you could very well run out of money. Fast. Back when the age of 65 was the time to retire, things were different. Canadians, unfortunately, weren't living as long. So yes, 65 seemed a reasonable time to retire and use up your pension and any additional funds.

But healthcare has come a long way, and so have our lifestyles. Another thing that's changed is wanting to go on vacation, invest in another property, and then there's the actual average age to consider. The average Canadian will live to around 82 years, but consider this. That age also takes into consideration people who had an untimely death. So really, if you're dying from complications of old age, pure and simple, that number is likely much higher!

So all in all, good news really! You want to make the most of your perhaps 30 years of retirement! Just one thing: you need the money to get there. But you can do it, right now, even if you're about to retire. Thirty years is a long time to live, and a long time for investments. So try these steps.

Step 1: Time CPP

Your Canada Pension Plan (CPP) and Old Age Security (OAS) payments simply aren't enough to survive on during your retirement. If you look at the average payments, you would receive about $1,286.40 per month. That's only about $18,000 per year! Definitely not enough to come close to living off of.

One thing you can do to boost your CPP is to delay it as long as you can. You can start collecting CPP at 60, but if you delay until 70 you'll increase your payments by 42%! So timing is key when it comes to when you start collecting.

Step 2: Avoid OAS clawbacks

So here's another issue. If you make a more than $79,054 in 2020, then you would be subject to a

15% clawback of what you earned that year. So if you make $120,000 in the year, the clawback would mean your OAS is worthless.

How to change that number and bring it down? Simple. Try and create more income tax free through your Tax-Free Savings Account (TFSA). You'll be making money through passive income dividend investments, but none of it is subject to taxes. So you're therefore able to still collect those OAS payments without the 15% potentially.

Step 3: dividend stocks

So if you're going to create a passive income stream that will help grow your retirement nest egg over the next 30 years, you need to choose wisely. It has to be a company that will continue to have long-term growth, and solid dividends. Then you can continue to bring in solid passive income while you wait to collect CPP at 70, and so you can circumvent OAS clawbacks.

A perfect option would be a company like **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). While oil and gas might be down, this company continues to show strength. Enbridge has a number of pipeline projects underway to bring the oil and gas glut to an end. Once that happens, the company will see an enormous increase in its already stable revenue.

That stability comes from long-term contracts to last several decades, which will also mean its dividend yield is safe and secure, currently at 8.21% as of writing. Right now, if you were to take $60,000 from your Tax-Free Savings Account (TFSA) contribution room and put it toward Enbridge, you could bring in $5,019 in annual dividend income.

Meanwhile, the company has a solid 8% compound annual growth rate (CAGR) for the last decade. So as the markets rebound, so too should this stock.

Bottom line

Investing in a company like Enbridge during your retirement could be the difference between having nothing and having it all. If you were able to refrain from touching your investment for the next 30 years, and reinvest those dividends, you could become a multi-millionaire at current growth levels! That $60,000 could be $6,722,885.99!

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