



Here’s How Much You Need to Save Monthly to Become a Millionaire by Retirement

Description

Reaching a seven-digit bank balance by retirement is really not that difficult. One just needs to invest for the long term in a disciplined manner. But how long is the long term? And what is discipline when it comes to investing?

Millionaire by retirement

If you are 25 and planning to retire at 60, a monthly investment of \$484 would make you a millionaire. I have assumed an 8% return for this particular calculation. Investors should note that stock markets are a great source of wealth creation. Regrettably, some overassume stock market risk and avoid it altogether.

But you get plenty of options for your risk/reward characteristics in stocks. So, an 8% return for such a long term is totally manageable. The critical takeaway here is, even if you don’t have the big upfront cash to invest, that’s okay. A regular amount invested for the long term will do the job.

Let’s now look at how the equation changes as time passes. If you are 45, then you have relatively less time for accumulation. So, you might need to set aside more and invest \$3,069 per month to achieve a million-dollar figure. That’s why starting early is essential. It will give more time for compounding and will make it relatively easier to hit the goal.

Here’s how much you need to invest per month if you want to retire with \$1 million by the age of 60.

Age	Monthly investment @ 8% return	Monthly investment @ 10% return	Monthly investment @ 12% return
25	\$ 484	\$ 307	\$ 193
30	\$ 736	\$ 507	\$ 345
35	\$ 1,140	\$ 847	\$ 625

40	\$	1,821	\$	1,455	\$	1,157
45	\$	3,069	\$	2,623	\$	2,235

While investing for the long term, some stocks will track markets while some will outperform. Our assumption of an 8% return is on the conservative side, and [growth stocks](#) can deliver much higher returns than that. For example, if we assume a 12% return, a 25-year-old investor will have to invest \$193 monthly for 35 years to reach the goal.

Indeed, one cannot expect smoother returns in stocks because of the volatility risk. However, investing for the long term evens out this risk to a large extent.

Top stable TSX stock for long-term investing

There are plenty of Canadian stocks that suffice the above calculation. Consider top utility stock **Canadian Utilities** ([TSX:CU](#)). It has returned 8% compounded annually since 2000, including dividends. If you'd invested approximately \$500 per month in CU since then, you would have become a millionaire today.

Investors generally overlook utilities as they are perceived as “widow-and-orphan” stocks. However, they can provide ultimate stability to the portfolio with their slow-stock movements and stable dividends. Additionally, utilities like CU earn stable cash flows, even if there is a recession in the broader economy, which facilitates consistent dividends. That's why Canadian Utilities has [increased](#) dividends for the last 49 consecutive years.

The country's biggest bank **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) has been a stable wealth creator for its shareholders. It has returned 12% compounded annually in the last 20 years, including dividends. It currently yields 4% and pays handsome dividends. Royal Bank could be a solid option for long-term investors amid the impending economic recovery. Although bank stocks like RY are vulnerable to economic cycles, they outperform broader markets in the long term.

Bottom line

These TSX stocks might not repeat the historical performance in the future. However, investors can consider putting a regular amount in stocks for the long term. It would be highly comforting to have a seven-digit bank balance in your sunset years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Personal Finance
5. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Personal Finance
5. Stocks for Beginners

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2021/02/04

Author

vinitkularni20

default watermark

default watermark