59% of Canadians Are Making This Retirement-Planning Mistake

Description

Are you approaching retirement with a plan? According to the results of the 2019 **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) Investment Poll, losing financial independence in retirement is the biggest fear of 59% of Canadians. While seven in 10 are saving for retirement, the same 70% think they won't save enough.

Sometimes, retirement planning becomes a top priority when the individual is but a few years away from retirement. Others who are ready to transition to the next phase with ease will never worry about finances, because they have achieved financial independence. However, it could be a mistake to procrastinate and not plan.

Visualize your retirement

Many people regret retiring once they find out the harsh realities of retirement. Some Canadians with little or no savings would instead work past age 65 than retire and bear a lower standard of living. With the financial stress of limited resources, others would re-enter the labour market to work, even for lesser pay.

The best approach is to visualize your retirement and the lifestyle you desire. Make an honest assessment of recurring expenses and allocate a buffer for unexpected outlays. Align them with your guaranteed lifetime incomes, such as the Canada Pension Plan (CPP) and the Old Age Security (OAS). Current retirees will tell you that both pensions are inadequate to cover all your financial needs in retirement.

Increased pension

The CPP enhancements are ongoing so that Canadians will have more when they retire. It offers an incentive to delay payments until 70 to receive a 42% permanent increase. The changes reflect the current economic environment and somehow encourage people to work longer. You can also voluntarily delay OAS payments by five years to bump up the benefits by 36%.

There are four pillars of retirement savings in Canada. The OAS is a universal retirement income program, while the CPP is a publicly funded pension plan. The third and fourth pillars are privately funded or employer retirement plans and personal savings. Without an employer retirement plan, the fourth pillar is a critical component, as it forms the bulk of retirement income.

Fill the pensions’ shortfall

Soon-to-be retirees are responsible for filling the income gap or shortfall of the CPP and OAS. If you need to start with a dividend portfolio to grow retirement savings, consider Scotiabank as your anchor income stock. Canada’s third-largest bank is a dependable and generous income provider.

Besides its home country, Scotiabank is also a major financial institution in the Pacific Alliance or the Latin American trade bloc. The A-1 bank stock trades at less than $100 (only $71.01 per share) but pays a fantastic 5.07% dividend. Furthermore, the $86.04 billion bank takes pride in its 188-year dividend track record.

You can match the combined annual CPP (average) and OAS (maximum) benefits at age 65 with $308,700 worth of Scotiabank shares. If you’re starting early and have a long investment window, accumulate shares and reinvest the dividends. Over time, you should reach the desired retirement savings and receive pension-like income.

Comprehensive plan

Be like other Canadians who get a jump start and set their sights on financial independence early on. Likewise, your plan should be comprehensive. If you have three of four pillars, you stand a better chance of living comfortably in retirement.

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