Planning for Retirement? Avoid These 3 Huge Mistakes!

Description

It is never too early to begin planning for your retirement. Even if you get to your middle age and realize that you need to plan for your retirement, investing can present you with immense opportunities to create a comfortable retirement nest egg.

However, the closer you are to your retirement, the more crucial it is to avoid making mistakes with your finances. While any mistake can be costly, avoiding major mistakes will be the key to ensure that you can enjoy the golden years of your life without financial stress.

No detailed financial plan

Having a plan about retiring is not just about budgeting how much you should spend and how much you will save each year. A financial plan for your retirement should go into a lot more depth, covering every aspect of your life. When you are planning for your retirement, working with a financial advisor can be crucial in helping you manage your finances in a way that is tailored to your financial circumstances and retirement goals.

Your retirement plan should cover basic topics like retirement investments, tax planning, investment withdrawal amounts, timing, and when to begin collecting pensions like the Canada Pension Plan (CPP) and Old Age Security (OAS).

Many Canadians do not take out the time to make a plan tailored to their lifestyle and requirements.

Not adapting to the changing environment

Everything keeps changing as you grow older, including the market environment. You may have to adjust your investments to better reflect the new circumstances. For instance, you may need to add some high-growth stocks to your portfolio to boost your wealth growth. Currently, adding a tech stock like **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD) could provide you with a substantial boost to your retirement nest egg in the short term.

The structural shifts in selling models, increased adoption of omnichannel payment platforms, and increasing online sales since the pandemic struck provided Lightspeed a growth opportunity.

The company is seeing strong demand for its portfolio of digital products that enable its subscribers to improve their sales. A growing number of small- and medium-sized businesses are using Lightspeed's platform to accept payments and manage their operations better in the new normal.

Thanks to the growing demand for its cloud-based p[latform, Lightspeed's customer base is growing fast. Its recent acquisitions have sped up its growth rate by adding more customers and expanding its geographic reach. The company's momentum will likely continue to provide its investors with wealth growth for the next few years.

Exiting the stock market

Creating a comfortable retirement fund through investing means that you can have a much-needed financial cushion during your golden years. However, many people make the mistake of exiting the stock market with all their capital instead of staying invested.

If you are closer to retirement age, you might feel tempted to sell stocks in your portfolio and exit the equity markets entirely to take all the cash with you. However, it might be better to think twice before withdrawing funds from your retirement account.

It is ideal to buy the dip and sell when markets peak. You may gradually have to change with the times and sell growth stocks like Lightspeed at one point. However, pulling out from the market at the wrong time could cost you substantial potential income.

Investing in reliable dividend stocks like **Fortis Inc.** (TSX:FTS)(NYSE:FTS) could provide you with passive income through its growing dividends. Fortis is a Canadian Dividend Aristocrat that has an almost 50-year dividend growth streak. Investing your capital in the stock could provide you with consistently growing income that can create another revenue stream for your retirement.

Fortis is an excellent company to consider as a reliable foundation for your dividend income portfolio due to the necessary nature of its business. The company provides utilities to its customers across Canada, the U.S., and the Caribbean. It means that the company can continue generating reliable cash flows to finance its growing dividends regardless of the market environment.

Foolish takeaway

Making the right investment decisions, adjusting your portfolio based on the times, and staying invested even after retiring can help you secure financial freedom during the golden years of your life. Avoid making any mistakes and consider discussing your retirement plan with a financial advisor to ensure a better retirement.

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Author
adamothman