Worried About Saving for Retirement? Focus On These 3 Things

Description

Retirement planning is pressure-laden, especially when your savings aren't enough to fill a nest egg. The COVID-19 pandemic did mess up plans of future retirees. Fortunately for Canadians, their retirement foundation is secure because of the Canada Pension Plan (CPP) and Old Age Security (OAS).

Unfortunately, the pensions are partial replacements of the average workers' earnings only. The benefit amounts may not provide the quality of living you desire in retirement. Thus, soon-to-be retirees must focus on the more critical elements to ensure future financial wellness.

1. Save an affordable amount consistently

Retirement without savings isn't the ideal situation and difficult reality to many. With life expectancy in Canada increasing, saving for the sunset years is more vital than ever. Once you leave the workforce or mainstream employment, regular income stops. Your savings plus the pensions replace the paychecks.

The first step is to set aside an affordable amount monthly but consistently put in your retirement savings. Little is better than zero savings. Increase the amount as you go along if your finances allow. If you can save $250 a week, you'll have $300,000 in 25 years.

2. Free up more cash

More often, people don't check their spending habits. Sit down to revisit your budget and expenses. Identify your needs and separate your wants. You might discover that useless expenses are more than the necessities. Hence, do away with the non-essentials to free up more cash. You'll have more to add to your retirement savings. If you have outstanding loans, prioritize debt repayments or pay down the balances to save on interest costs.

3. Fully fund your retirement

Canadians are responsible for supplementing their CPP or OAS benefits to living comfortably in retirement. There's no single plan to adopt, although options are available to fund your retirement years fully.

When you have enough capital, the Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA) are the tools to help your money grow. Most RRSP or TFSA users invest a portion of their savings in dividend stocks for recurring income streams in retirement.

High-yield income stock

Pembina Pipeline (TSX:PPL)(NYSE:PBA), for example, pays a super-high 7.22% dividend. Assuming you save $12,000 in a year and invest the money, the passive income is $866.40. Since the $20.09 billion oil and gas midstream company pays monthly dividends, you'll have a cash inflow of $72.20 every month. If your investment is five times more, the monthly stipend would be $361, or $4,332 yearly.

The energy sector is volatile, but Pembina is an industry pillar for over 65 years. It offers a full spectrum of midstream and marketing services to clients in North America. Among the company's strong competitive advantages are its integrated assets, commercial operations, and hydrocarbon value chain.

Pembina derives stable cash flows from its vast and efficient conventional pipelines. Because the long-term contracts are mostly fee for service, there's cash flow visibility. The majority of its clients or counterparties in the three business segments hold investment-grade ratings. At $36.64 per share, you get value for money.

Financial boundaries

Setting a date and creating a realistic budget can be motivating factors to plan for retirement seriously. Your savings program is foolproof if you have financial boundaries. Stick to the budget and save an amount that is affordable.

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