



Saving for Retirement? Don't Miss These 3 Steps

Description

Retirement planning at any stage of your life is not easy. Creating a strategy to save for your retirement is quite stressful when you do not know if you can make enough savings for a comfortable nest egg.

The onset of COVID-19 messed up plans for many future retirees. Fortunately for Canadians, the foundations for their retirement are secure due to the Canada Pension Plan (CPP) and the Old Age Security (OAS).

Unfortunately, these pension plans are designed to contribute to your retirement income partially. The benefit amounts you receive through both pensions might not provide you the ideal lifestyle you seek as a retiree. If you are saving for your retirement, here are three crucial steps you can take to ensure financial security during your golden years.

1. Save consistently

Once you leave the workforce or mainstream employment, your regular income stops. Your savings and pensions will replace your regular paychecks. Retirement without savings is not an ideal situation but an unfortunate reality for many people.

You should make it a point to set aside an affordable amount from your paycheck each month. It is critical to remain consistent with putting money into your retirement savings each month. Even a little bit more in your account every month is better than adding nothing. Increase the amount you contribute to your savings as you go along and your finances get better.

You would be surprised at how much you can accumulate until your retirement.

2. Reduce useless expenses

Most people cannot create comfortable retirement nest eggs, because they do not keep a check on their spending habits. Tracking your expenses and reducing useless spending habits will be crucial for

your retirement savings. Sit down and revisit your monthly expenses. Identify what you need and what you want from those expenses.

You will likely discover several unnecessary expenses. Eliminating non-essentials will free up more cash that you can contribute to your retirement savings. If you have outstanding loans, prioritize debt repayments or paying down balances to save on interest costs.

3. Fund your retirement

Canadians are responsible for [contributing to their CPP pensions](#). The CPP and OAS are not the only benefits you can enjoy as a retired Canadian. You can adopt several plans to fund your retirement years right now.

Creating a portfolio of dividend-paying stocks in your Tax-Free Savings Account (TFSA) is an ideal way to go. It is an excellent investment tool that you can use to grow your wealth over the years without having to pay taxes to the Canada Revenue Agency (CRA) from your TFSA income.

You could begin using the TFSA to grow your account balance and reinvest dividends to unlock the power of compounding. By the time you retire, you might have enough shares of dividend-paying companies in your TFSA to provide you with substantial dividend income that supplements your overall retirement income.

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) could be an excellent stock to begin building such a portfolio. The company owned more than \$55 billion in assets by the end of last year, making it one of the biggest utility companies worldwide. Fortis operates in the highly regulated gas and electric utility sector, serving customers in Canada, the U.S., and the Caribbean.

Providing an essential service, Fortis can generate predictable and reliable cash flows that it can use to comfortably finance its growth and increasing dividend payouts to its shareholders. The company has generated annual returns of 13% in the last two decades for its shareholders, and it has maintained its dividend-growth streak for almost 50 years. It is one of the [top dividend companies on the TSX that you can buy and hold forever](#).

Foolish takeaway

Setting boundaries with your expenses, increasing your savings, and funding your own retirement plan can help you set yourself up for a more comfortable retirement. No retirement savings plan is foolproof, but you can take these steps to increase your chances at a better financial standing when you retire.

Beginning with investing in Fortis for your TFSA could play a vital role in securing better finances for your retirement.

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Date

2025/09/12

Date Created

2021/04/12

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