



The 1 Factor You're Forgetting When Calculating Your Retirement Savings

Description

When it comes to calculating how much we'll need by the time we retire, we take almost everything into consideration. How much will be need to spent on necessities? What will the mortgage payments be? How can you turn your annual investments into millions, so you can sit back and enjoy life?

But you're forgetting one thing: what do you need to spend *now*?

I'm going to go over a few examples of the necessities individuals need to factor in on an annual basis *before* reaching retirement. But don't worry! I'll leave you with some options to help you reach your goals.

30, 40, 50

For the sake of this example, I'm going to say everyone here wants \$2 million by the time they retire. That may seem like a lot, but if you plan to retire by 60, that can be eaten up fast. In Canada, the average age Canadians live to is about 82 years. That *does not* mean you'll live to around 82 years. This takes into consideration every death, be it early or late. So, you may well live to 100! That's 40 years you'll need to fund your needs! Suddenly, \$2 million seems like just enough.

I'm going to outline what a 30-year-old, 40-year-old, and 50-year-old would need to put away to reach that \$2 million amount, factoring in annual expenses.

30-year-old

If you're 30 right now, with expenses of around \$40,000 per year, you have the benefit of time. You won't have to invest as much as the older generations, because you can see returns over longer periods. But it's important to get in these habits now, before you run out of precious time!

Let's say you start with \$5,000 set aside. You invest in a stock that sees an annual return of around 9% on average. You also want to retire by the age of 60. That means each month, you will have to

contribute about \$1,100 each month if you want to reach \$2 million by retirement, or \$13,200 per year.

40-year-old

It starts getting even tighter for a 40-year-old. You still have time but not as much. Yet, hopefully, you have less debt than the 30-year-old who may still be paying down school. You've gotten into repayment habits and are using time to your advantage.

So, you've decided to put \$10,000 aside. But everything else remains the same. That means if you want to retire at 60 with \$2 million, each month you need to put \$3,000 aside to invest, or \$36,000 per year.

50-year-old

You see where I'm going with this. You're going to have to be very smart if you want to retire with \$2 million by retirement when you're 50. Hopefully, you have a partner that can help out on these payments, so you both can retire wealthy. If that's the case, we can at least cut your annual payments in half to \$20,000 per year, since you aren't footing the whole bill.

Now, with everything staying the same, you would still need to contribute an additional \$10,000 each month to reach that \$2 million retirement plan. That's \$120,000 per year — something you may not be able to afford.

There's a fix!

A great option would be utilities. **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) has seen steady share growth at a compound annual growth rate (CAGR) of 20% over the last decade and about 9.5% CAGR in its dividend. If a 30-year-old invested in Algonquin stock, in 18 years, you would reach \$2.5 million by investing \$5,000 *per year*. For a 40-year-old, that means you can do the same! And as for a 50-year-old, you would need to contribute about \$4,167 per month to reach that \$2 million number. But that's far less than \$10,000 per month! And if you waited eight more years, you could do the same as the 30- and 40-year-olds.

The point of all this? Start early and [contribute often](#). On top of that, choose strong [dividend stocks](#). You then get free cash to reinvest and you won't need as much down the line. While making \$2 million is relatively easy for a 30-year-old, a 50-year-old is going to need to work hard for that number.

CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Personal Finance

Date

2025/09/15

Date Created

2021/04/16

Author

alegatewolfe

default watermark

default watermark