Canadians in Your 20s: How to Retire in Your 30s

Description

Is there a way that Canadians in their twenties can achieve financial independence and retire far earlier than others? Early retirement is the desire of many, although clocking out from the mainstream is rarely without its challenges. The key is to create a comprehensive retirement planning and see the plan through.

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Think hard before you embark on a journey to early retirement. The financial goal is enormous, so it entails a lot of sacrifices and scrimping. If you belong to the twenty-something group, the following options could help you make your dream come true.

1. FIRE movement strategy

Many millennials embrace the strategy of the Financial Independence, Retire Early (FIRE) movement. The inspiration behind this movement is the 1992 best-selling book *Your Money or Your Life*. Authors Vicki Robin and Joe Dominguez advocate the extreme-saving lifestyle.

The FIRE movement recommends saving up to 70% of your yearly income. Once you reach $1 million, or 30 times your annual expenses, you're in a better position to consider early retirement. Since you're a retiree at a young age, follow the FIRE devotees' small withdrawals strategy. Take only 3% to 4% of your savings yearly, then monitor or control your living expenses.

2. Invest for the long term

Retirement planning involves not only saving money, but also investing it to make more money. Stocks have historically outperformed other assets and delivered higher returns. Thus, invest for the long term and don't chase after short-term gains. Some blue-chip stocks, for example, have dividend track records of more than 100 years.

You benefit from the power of compounding when you reinvest dividends. Canadians have two great investment vehicles to grow their money faster. Open a Tax-Free Savings Account (TFSA) and

Registered Retirement Savings Plan (RRSP) and contribute the maximum every year if finances allow.

3. Don’t accumulate debts

Debt is an obstacle if you have early retirement plans. Hence, pay off your debts before you retire instead of accumulating new ones. Otherwise, you set back your timetable for several years. Remember, the core premise is to free up cash, avoid incurring interest costs, and accumulate more funds for investment purposes.

Lasting investment income

For lasting investment income, the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is a no-brainer choice. Besides paying the highest dividend in the banking sector, Canada’s third-largest bank boasts of nearly 190 years dividend track record. It only confirms that Scotiabank is indeed a reliable income provider of retirees.

You can buy the blue-chip stock and hold it forever. Let’s assume your investible fund today is $75,000, and Scotiabank’s dividend yield (4.55%) remains constant. Your money will compound to $187,617.34 in 20 years if you keep reinvesting the dividends. The computation gives you an idea of how compound interest works.

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As of May 21, 2021, the share price is 79.08% (18% year-to-date gain), and analysts forecast BNS to climb 20% to $95 in the next 12 months. The $95.88 billion bank has been beating consensus estimates every time. Market observers already expect the coming Q2 fiscal 2021 earnings results to more robust than the preceding quarter.

Pipe dream

FIRE is a widely held goal, although only a few can claim success with the extreme-saving method. Early retirement is easier said than done. However, the pipe dream to retire before the standard timeline is still possible if you have a comprehensive retirement plan.

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