



Retirement Planning: How Much Should You Save to Retire With \$1 Million?

Description

There's one question that everyone has: How much should I invest to retire a millionaire? Surprisingly, there is no one amount. You may find many mathematical formulas that use the number of years to retirement, your desired retirement money, and interest rate to come to a magic savings number. But is that formula effective? Let's see.

How much should you save for retirement?

I will skip the formula and directly give you numbers. Assuming you earn an average interest rate of 6%, you will need to save

- \$522 per month if you have 40 years to retirement (age 25); or
- \$2,195 per month if you have 20 years to retirement (age 45).

It is true that the earlier you start investing, the better. But can a middle-aged person who has a mortgage, two kids, and a \$50,000 income save \$2,195 a month? The above formula assumes every person has similar circumstances. But that's not true.

You also have to look at your income and necessary expenses. Moreover, you also need to save for your children, for emergencies, and your dreams. You can't put all your savings in retirement. Then what's the solution? Should you take a leap of faith and invest in speculative bets like Dogecoin? Such bets might make you a millionaire in fewer than 90 days. But they can also make you bankrupt in fewer than five days.

First, assess your monthly budget and come up with a savings amount. For instance, Mary is 40, earns \$75,000 annually, and can save around \$2,000 per month (\$500 per week). She has to allocate a certain amount for the short term and an emergency fund, leaving her with \$1,000 for retirement savings.

Invest smartly for retirement

If Mary invests \$1,000/month in retirement savings, her contribution after 25 years will be \$300,000. If her average portfolio returns are 7%, she will have around \$793,000 in her retirement fund at age 65. But if she earns 20-30% returns in some years, it will help Mary fill the gaps. This is where portfolio diversification helps. She can invest equally in growth and [dividend stocks](#). The growth stocks are the ones that work toward tapping the future growth trend like the 5G and autonomous vehicles.

Two stocks for the million-dollar retirement

Magna International ([TSX:MG](#))([NYSE:MGA](#)) stock surged 600% in the last 25 years, converting \$1,000 to \$6,000. The stock is currently in the growth trend surging 32% year to date, as it taps the [electric vehicle](#) (EV) wave and prepares for the future autonomous vehicle (AV) wave. Magna is not a high-growth stock but a stable company that might continue to exist for the next 10-20 years.

Magna is tapping the EV and AV wave on multiple fronts:

- It is supplying automotive components to several EV makers.
- It is offering contract manufacturing services.
- Magna has invested in a few AV and EV makers like Google's Waymo and Fisker.

The company is changing with the trend and bringing EV and AV solutions instead of simply supplying components. The fact that it is evolving with the market reassures investors that the company is in growth momentum. This is your chance to make up for the lost years of investing. Once the EV and AV wave eases and growth stabilizes, you can either stay invested in the stock or book profits and move to the next growth wave.

Whenever you look for retirement savings, look to invest in companies you believe will still be strong and operational for the next 15-20 years. **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a good dividend option. Enbridge has been in the pipeline business for over 60 years, and it will continue to be operational for the next 15-20 years and beyond.

But what makes Enbridge interesting is its 26-year [history](#) of paying incremental dividends. It currently has a 7% dividend yield — a good time to lock in returns. On average, its yield is 6%. Plus, it has been growing dividends at an average annual rate of 10% for 26 years. Even if the company increases its dividend at an average rate of 6% over the next 25 years, it can help you come close to the million-dollar retirement fund.

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2. NYSE:MGA (Magna International Inc.)
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