Canadian Couples: How You Can Retire in Your 50s

Description

Early retirement isn't typically an option for Canadian couples. However, the thought of retiring early, or in your 50s, crosses their minds too. Unfortunately, there's no blueprint for achieving such a goal. It would depend on a couple's resolve and financial strategy.

Apart from the uncertainties due to coronavirus, it takes time to build retirement savings that could last a lifetime. Moreover, pensions like the Canada Pension Plan (CPP) and Old Age Security (OAS) won't guarantee a problem-free retirement. Still, embarking on an early retirement journey could prove successful to some couples.

Set the ground rules

The initial step is to make sure each one is open to the idea. At the onset, a couple must figure out how to grow the money they already have. Also, the primary focus should be on spending, not earnings. You can free up more cash if you limit needless spending.

Another factor in swinging retirement at 50 is retiring or paying off debts, not accumulating new ones. Couples must get their liabilities out of the way so that saving and investing become a top priority. Once you establish these ground rules, let the journey begin.

Theoretical scenario

Canadians are fortunate because they could get a head start through an investment vehicle like the Tax-Free Savings Account (TFSA). In addition, the balance grows faster since money growth is tax-free.

For illustration purposes, let's establish some parameters to show how early retirement is possible for couples. First, each individual should be at least 25 years old. The investment window before they reach 50 years old is 25 years. Also, assume that the annual Tax-Free Savings Account (TFSA) contribution limit is constant at $6,000, and each spouse contributes the maximum every year.

If the chosen income stock pays a fixed 4% dividend and each one reinvests the dividend, the money should compound to around $259,870.47 per individual. Thus, the combined total in 25 years is $519,740.84. Remember, the higher the yield, the higher would be the future value of the investments. The sample computation shows, more or less, how much retirement fund couples can amass in a TFSA if they desire to retire by 50.

Buy-and-hold asset

Retirement is not one-size-fits-all, although it's a long-term goal for everyone. If couples are using their TFSAs, the key is to invest in buy-and-hold assets. The **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is a suitable option because of its outstanding dividend track record.

Canada's fifth-largest bank has been paying dividends since 1868. The current share price is $144.38, while the dividend yield is 4.04%. If you apply the parameters in the example, you'll arrive at nearly the same future value.

CIBC's profit in Q2 fiscal 2021 (quarter ended April 30, 2021) more than tripled compared to Q1 fiscal 2020. The bank's total revenue increased by 7.6%, while provision for credit losses (PCL) dropped significantly to $32 million from $1.4 billion a year ago.

CIBC President and CEO Victor G. Dodig said the successful execution of the bank's client-focused growth strategy was behind the stellar quarterly results. Market analysts see a potential upside of 16% in the next 12 months.

Early retirement for couples is possible

It would be wonderful if couples could have more years to enjoy retirement life together. While early retirement is a daunting task, it's not impossible if there's a well-thought-out, long-term financial strategy.

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