3 Investing Tips to Retire a Millionaire

Description

Retiring a millionaire is no longer a dream only a few can achieve. Even you can be a millionaire retiree by investing just $500 a month. Consistence, patience, and a balanced portfolio can do the trick. An early start gives you an advantage not only in life but also in investing. Here are three investing tips to achieve your million-dollar retirement.

Investing tip #1: Take advantage of the CRA's tax-saving accounts

When I talk about retirement savings, the first thing to note is tax planning. The Canada Revenue Agency (CRA) offers a compulsory Canada Pension Plan (CPP) in which both employer and employee contribute. But in the CPP, you don't have the freedom to choose where you want to invest your contribution.

The CRA encourages you to have personal retirement savings, and for that, it offers the Registered Retirement Savings Plan (RRSP). For 2021, you can contribute up to 18% of your previous year's income, or $27,830, whichever is lower. Then there is the Tax-Free Savings Account (TFSA), which has tax benefits.

Whenever you plan investments, max out your registered savings accounts, or the tax on your investment income will reduce your real returns. If you have more money to invest, then you can consider normal savings accounts without tax benefits.

Investing tip #2: Set an auto-debit to your retirement savings

The next step is to decide how much you can invest comfortably every month without impacting your daily expenses and contributions to short-term savings. Count your retirement savings contribution as an expense and set an auto-debit. This way, you can stay consistent and not let short-term needs affect your long-term savings.

Investing tip #3: Start investing early

The tough part is selecting the stocks. If you invest $500 every month, you'll invest $6,000 in a year and $150,000 in 25 years. If you want $1 million after 25 years, you need around 8% in average annual returns.

You should start investing as early as possible, as some years might give you double-digit returns and some low-single-digit returns. The trick is to balance it out in the long term.

If you are in your 20s and early 30s, allocate a higher portion of your portfolio in growth stocks and a lower portion in dividend stocks. Gradually reduce your exposure to riskier growth stocks and increase it in resilient and dividend stocks. Here is one growth stock and one dividend stock to begin retirement savings now.

Growth stock

A growth stock shaping the future of retail is **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD). Last year, it accelerated its innovation and is growing 360 degrees (by geography, product offering, and market verticals). Lightspeed is following this technique and growing both organically and through acquisitions.

Lightspeed stock has surged 430% since its March 2019 initial public offering (IPO). If you missed the rally, now is the time to book your spot before its restaurant segment recovers and seasonal demand kicks in. The company is acquiring its competitors to become the preferred omnichannel partner of choice.

So far, Lightspeed has shown no fundamental weakness, making it a good fit to buy early in retirement savings. The stock gives capital appreciation, and its returns will slow once the stock surges to high valuations. Hence, if you are in your 20s, invest more in growth stocks.

Dividend stock

Dividend Aristocrats have long histories of paying regular dividends. Some even increase dividends regularly. One such Aristocrat is **BCE** (TSX:BCE)(NYSE:BCE), which has been increasing its dividend at a compounded annual growth rate of 6.4% in the last 12 years. The telecom giant is investing in 5G infrastructure. The 5G scope is bigger than 4G. It will not only connect phones and laptops to the internet but also heavy devices like drones and vehicles.

The 5G rollout over the next 10 years will increase subscription revenue and help BCE accelerate its dividend growth. It currently has a dividend yield of 5.66%.

Bottom line

The combined returns of the two stocks in the next five to 10 years could give you an average annual return of 7-8%. Stop procrastinating and start investing, as time is expensive.

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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
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