Canadian Couples: How to Retire in Your 50s

Description

Early retirement in their 50s is possible for Canadian couples who are currently in their 20s. The time frame should be good enough to build a substantial nest egg through dividend investing. The Toronto Stock Exchange has several wealth-building blocks that pay generous dividends.

Also, money growth is faster if you hold the investments in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). Young couples can consider investing in **Sun Life Financial** (TSX:SLF)(NYSE:SLF) and **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) to jumpstart their journey to an early exit from the mainstream.

Top 36 global insurer

Sun Life Financial, a $36.94 billion insurer and wealth & asset management solutions provider, belongs to the Insurance 100 2021 list (rank 36) by BrandFinance. The 156-year-old company has a vast customer base in the private and public sectors, comprising individuals, and large and small businesses.

Thus far, in 2021, this insurance stock outperforms its chief rival, **Manulife** (+13.39% versus +6.23%). At the current share price of $63.08, the dividend yield is 3.49%. The payout should be sustainable, given the 43.75% payout ratio. For illustration purposes, $150,000 worth of Sun Life shares can grow to $419,800.32 in 30 years.

COVID-19 affected the insurance industry. Sun Life saw its net income drop by 8.1% in 2020 versus 2019. However, the business has improved in 2021. From $391 million and $744 million in Q1 2020 and Q4 2020, management reported $937 million net income in Q1 2021 (quarter ended March 31, 2021).

In the said quarter, the Canadian market saw a turnaround with its $405 million net income compared to the $42 million net loss in Q1 2020. The domestic market (43%) contributed the most to net income, followed by the asset management business segment (25%).

Notably, net incomes in the Asian and U.S. markets jumped 98% and 29%, respectively. Sun Life has earned a Dividend Aristocrat status owing to six consecutive years of dividend increases. If the company meets its 8-10% EPS growth target in the medium term, a dividend increase is possible.

20-year dividend-growth streak

Canadian Natural Resources (CNR) pays higher dividends than Sun Life. The current share price is $39.19, while the dividend yield is 4.8%. Let's use $150,000 again as the capital. The fund should grow to $612,251.33 if you hold the energy stock for 30 years.

Like Sun Life, CNR is a Dividend Aristocrat. However, its dividend-growth streak is longer at 20 years. The total return in the last 45 years is 19,297.52% (12.36% CAGR). Market analysts see a 37.47% return potential in the next 12 months. The price could even soar by as much as 101% if the oil price and demand continue their ascent.

CNR's Q1 2021 was a breakout quarter following the reported net income of $1.37 billion versus the $1.28 billion net loss in Q1 2020. It has also joined **Suncor Energy**, **MEG Energy**, **Imperial Oil**, and **Cenovus Energy** in forming the Oil Sands Pathways to Net Zero initiative. The group aims to help Canada achieve net-zero greenhouse gas (GHG) emissions from oil sands operations by 2050.

Chance at early retirement

The sample computations above show how spouses or partners can work together to raise $1 million or more in retirement funds. Reliable dividend stocks and a long holding period are the keys for younger couples to have a crack at early retirement.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:SLF (Sun Life Financial Inc.)

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