Young Couples: Do These 3 Things to Retire Rich

Description

Financial education is a crucial part of someone's upbringing. With early exposure to concepts like debt management, financial discipline, savings, and investing, individuals can make smart financial decisions early on in their lives, which can pave the way for a financially secure future. And it also helps to manage financials more efficiently as a couple.

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Many young couples are more focused on living their lives to the fullest than on retirement planning. This often results in underfunded and often debt-ridden retirement years. There are three things young couples can do to retire rich.

Save first, spend later

Most young individuals and couples tend to save whatever they can spare after the monthly expenses. This usually means that they don't get to save enough. Even if you can't reach the ideal 10% a month savings goal, you *should* prioritize saving.

For example, if combined, the two of you can only afford to max out your Tax-Free Savings Account (TFSA), you should try to put away $500 a month ($250 each or a different ratio) *before* you take care of your other expenses like food and clothes. This will have two benefits: you'll have a predicable saving (and consequently investing) schedule, and you'll learn to live on what you have left after tucking away your savings sum. You will have to pick up some frugal habits by necessity.

Start investing as early as possible

Saving is just one piece of the puzzle. If you are not putting your savings to work by investing them, you might have a hard time meeting your "rich" goals in retirement. Investing early and in the right stock can be transformative for your retirement goals.

Take **Boyd Group Services** (TSX:BYD) as an example. If a couple in their forties had invested $10,000 in the company exactly 10 years ago (in Aug 2011), they would now be sitting on a $176,000 nest egg. That's more than one-sixth of a million, which would be considered a rich enough amount in retirement.

Not all stocks and investment assets tend to pay as well as Boyd did in the last decade, but it's common enough. And keep in mind that it's just a 10-year growth. If you form a portfolio of 20 different stocks, keep growing it for three decades at least, and even if half of them pay as well as you hoped them to (like Boyd), you might not have any trouble reaching your retirement savings goals.

Diversify your portfolio

As a young couple, you can afford to take risks with your investing that older couples might not be able to. But that doesn't mean you should pour all your savings into one asset or one un-diversified pool of assets. Even if you are attracted by the explosive growth potential of tech stocks, balancing it with more stable, slow-growing, but generous dividend stocks like **Canadian Utilities** (TSX:CU) is a good idea.

The oldest Dividend Aristocrat on the **TSX** is currently offering a juicy 4.9% yield. If it keeps growing its payouts, it's likely to pay you back your original capital in less than two decades, and that's beyond whatever capital growth you experience.

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Foolish takeaway

When you are young, it feels like you have all the time in the world, but it's not true. The earlier you start preparing for your future and your retirement, the more time you'll have to learn, improve, and grow. You can put that time to good use, especially as an investor, and grow your retirement nest egg to epic proportions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BYD (Boyd Group Income Fund)
2. TSX:CU (Canadian Utilities Limited)

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