



Would-Be Retirees: 4 Tips for a Worry-Free Retirement

Description

When mainstream employment or work ends, people want to enjoy retirement to the fullest. However, it could be [more challenging](#) than your working years if you enter the sunset years unprepared. Many Canadian seniors assume you can rely only on the Canada Pension Plan (CPP) and Old Age Security (OAS).

Both pensions guarantee income for life but are [inadequate to cover all your financial needs](#). If you want an entirely worry-free retirement, the following are four financial tips from retirement experts.

1. Pay down debts: Don't create new ones

Aim for zero debt, because it's hard to build retirement savings while paying off outstanding debts. Avoid creating new ones or at least limit your borrowings to good debts or those that will return in value.

2. Practice controlled spending

The pandemic reduced people's spending significantly and raised household savings rates. Canadians suddenly saw the importance of saving money in case of uncertainties. Use the experience and make it a habit to control spending. Whatever free cash you have should go to retirement savings.

3. Maximize your tax-advantaged accounts

Be ready to maximize your Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA), or both. The investment vehicles were designed to help Canadians save for or have more money in retirement.

4. Invest in income-producing assets

Use your savings to purchase dividend stocks that could deliver pension-like income. [Dividend investing](#) is also the proven way to fill the inadequacy of the CPP and OAS. Hold the assets in your RRSP or TFSA for tax-sheltered or tax-free money growth.

Time-tested

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a buy-and-hold stock. Canada's second-largest bank has proven time and again that it can survive the harshest recessions and economic downturns. In 2021, the \$156.46 billion bank is stronger than ever. TD trades at \$85.77 per share and pays a 3.68% dividend.

TD raised its provision for credit losses (PCLs) to unprecedented levels in 2020. Management was ready to absorb losses from the anticipated deterioration of the bank's loan portfolio. Fortunately, credit quality held steady. As a result, TD had an unprecedented level of excess capital after Q2 fiscal 2021.

Investors welcome the additional \$14.6 billion in TD's war chest. It could pave the way for dividend increases. Bharat Masrani, TD's CEO, said returning capital to shareholders is a consideration besides share buybacks. He adds that the bank is also open to pursuing acquisitions, particularly in the southeast United States or elsewhere.

Clean and green investment

TransAlta Renewables ([TSX:RNW](#)) is an exciting choice because it could dominate the clean energy space. The \$5.32 billion company is Canada's largest generator of wind power. Growing the renewables pipeline is an ongoing concern of management.

Cash flows won't be a problem since the power generation facilities (gas, hydro, solar, and wind) are fully contracted. The utility stock hasn't reached Dividend Aristocrat status like TD, although it should come soon. TransAlta's diversified asset base produces robust cash flows.

Likewise, organic growth is on the horizon given the strong pipeline plus the growing demand for more wind projects in North America and Australia. Purchase TransAlta (\$19.89 per share) now to partake of the generous 4.73% dividend.

Heed the advice

Heed the experts' advice to be worry-free in retirement. Financial resources will dictate the quality of life or lack thereof in retirement.

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1. Bank Stocks
2. Dividend Stocks
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2. TSX:RNW (TransAlta Renewables)
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