A Beginners Guide to Investing in Retirement

Description

Whenever you talk about retirement planning, it is about saving 10-20 years ahead of retirement. But what about those seniors who are retiring soon? You could be 70 and still be a beginner in stock investing.

You lived all your life miserly, saving every penny in bank deposits. Stocks weren't really your thing. Everyone has their apprehensions. My grandparents invested all their savings in bank deposits and debt instruments, for they enjoyed handsome returns. But gone are the days of a 6-8% interest on debt instruments. Hence, it's important to allocate some portion of your savings in stocks. But the question is, how to allocate those assets?

How to allocate your assets to enjoy a comfortable retirement

Honestly, your asset allocation strategy depends on your current financial situation. There are many questions, such as whether you have any debt, do you own a house, how much you spend and save? Here I will take a scenario where you have a mortgage/rent, no debt, and sufficient savings.

You can use a 30:30:30:10 rule (house expenses, savings, paying off debt, and some for yourself). This rule is for budgeting, but you can tweak it for a comfortable retirement. From the total investable money you have, allocate the following:

- 30% for daily expenses hedged for inflation
- 30% for mortgage/rent (Canadian land ain't cheap)
- 30% for your future (yes, 70 is the new 40, and you have a long life ahead)
- 10% for emergencies (The government does give Old Age Security, but it isn't enough).

Now that you have decided on your buckets, it is time to invest. But where?

Investing in retirement

The first 60% dedicated for expenses and rent should be in income-bearing debt funds or dividend stocks that can help you beat inflation. Even here, invest only a small portion in dividend stocks so that you can hedge your daily expenses from inflation.

Dividend stocks

SmartCentres REIT (TSX:SRU.UN) is a dividend stock to consider as it pays an annual dividend yield of 6%, which is sufficient to hedge against inflation of 2%. The REIT has been paying a regular monthly dividend for over 12 years, even during the 2009 and 2020 crises. Investing in SmartCentres is like getting a small share in the rent **Walmart** stores pay for those prime locations.

While the stock has a 9-10% price fluctuation, it gives you monthly income. I would suggest you invest in it through the Tax-Free Savings Account (TFSA) as it makes your investment income tax-free. You just pay a one-time tax when you put money in the TFSA.

Coming back to the remaining 40% funds, invest the next 30% dedicated for your future in dividend and resilient stocks that are in a long-term uptrend. And the remaining 10% in liquid money market instruments.

Resilient stocks

A stock that fits this requirement is **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX). Although it is resilient, the stock price fluctuates by 20%. But overall, it is in a long-term uptrend. The stock has delivered a 20% compound annual growth rate (CAGR) in the last five years. This means it would have converted your $10,000 invested in September 2016 to $37,000 by now. That amount can pay for your holiday.

What makes Descartes resilient is its diversified customer base and portfolio and its market share. It offers supply chain management solutions to all companies with the goods, people, or information to transit. The stock moves 15-20% up and down, so make sure you plan your trip when the stock is rising.

Final say

Stock investing comes with risk. But with little planning and discipline, it can give you a comfortable retirement.

CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance
4. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)

3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date
2025/08/21
Date Created
2021/09/03
Author
pujatayal