



## 50% of Canadians Have No Plan for Retirement: Here's How Warren Buffett Can Help

### Description

Warren Buffett is arguably the go-to guru on investing and retirement. And why wouldn't he be? The man bought his first stock at age 11, became a millionaire at age 30, a billionaire at age 56, and the richest man in the world at age 78.

Let that sink in for a second.

Meanwhile, in Canada, many of us are struggling to get our retirement plans off the ground. In fact, according to a CIA report released this week, nearly half of Canadians don't have a financial plan for retirement, with another 40% admitting they don't know when they'll retire, if at all. The pandemic has pushed retirement plans back for nearly 23% of Canadians, with 69% of those workers saying they will work longer than they expected.

Pandemic aside, deferring retirement has become something of a trend in Canada. What would Warren Buffett say to us? Well, let's take a look at some of his best retirement planning advice.

### Practice dollar-cost averaging

Dollar-cost averaging is a simple investing strategy that involves investing a consistent amount at regular intervals. For instance, let's say you get paid \$2,000 twice a month. With a dollar-cost averaging strategy, you might invest \$200 of every paycheck in stocks or funds, around \$400 per month. That will allow you to save around \$4,800 per year, which over the course of 10 to 20 years could end up being a hefty sum.

On this point, Warren Buffett has said:

*“If you like spending 6 – 8 hours per work working on investments, do it. If you don’t, the dollar-cost average into index funds. This accomplishes diversification across assets and time, two very important things.”*

[Index funds](#) are Buffett’s bread and butter. Basically, index funds track a market index, such as the **TSX/S&P Composite Index**, rather than try to beat it. If you engage in a long-term strategy (more on that in a moment), an index fund could help you amass a significant amount of wealth, especially if you invest a consistent amount over time.

## Get excited about retirement

On several occasions, Buffett has encouraged his followers to set a purpose for retirement. In other words, *dream* a little. If your retirement rotates around something you actually want to do, wouldn’t you feel more motivated to make it happen?

So, take a moment and conduct a thought experiment. Imagine that money isn’t an issue: what would you do in retirement? Travel? Sell your home and move to a warm country? Take up hobbies? It doesn’t have to be leisure, either. You could pick up a part-time job, go back to school, or learn a trade you’ve always wanted to master.

When you set a purpose that you actually *want* to follow, you’ll find saving money a tad bit easier.

## Don’t rely on credit card debt

To be fair, Buffett has said very little about credit cards. We know he has an American Express card (but not even a black card), but we don’t know if he actually *uses* it. The only advice he’s given on credit cards is fairly simple — don’t take on credit card debt.

To Buffett, credit card debt works like an investment in reverse. Instead of amassing wealth through compound interest, credit card debt accumulates interest charges that grow bigger and bigger over time. A large amount of debt could become unmanageable, especially if you’re trying to save for retirement at the same time.

For that reason, you should keep your debt-to-income ratio as low as possible. For those Canadians who have high credit card debt, a [balance transfer credit card](#) could help you pay off your debt quickly. Many balance transfer cards come with low promotional APRs, which will help you pay less toward interest charges and more toward your principal.

## Foolish bottom line

Setting aside a consistent amount, giving your retirement a purpose, and cutting out credit card debt will certainly help put you on the right track to retirement. Of course, to properly plan for your retirement, you’ll want to do other things, too, such as determine how much income you’ll need in retirement, what retirement accounts you should open (Tax-Free Savings Account and RRSP), as well as which investments will help you hit your retirement goals faster. For a deeper dive into retirement

planning, check out our [retirement planning guide](#).

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