Middle-Aged Canadians: 3 Steps to Retiring Early

Description

Making retirement decisions today isn't as easy as before due to the pandemic-induced uncertainties. However, middle-aged Canadians with early retirement goals shouldn't feel discouraged. You can still achieve the objective by taking three methodical steps. Succeeding in each one will bring you to your destination.

1. Save consistently

Early retirees succeeded because they did not lose focus on their goals. The first step is to create a budget, work around it, and spend wisely. More importantly, sock away a percentage of income and save the amount consistently every month.

2. Eliminate obstacles

Debts are obstacles to early retirement, so paying them off should be integral to your retirement planning. The sooner you get rid of your liabilities, the more you can free up cash that can go toward retirement savings. Also, avoid obtaining new loans. Otherwise, you set back your timetable and have to start all over again.

3. Build retirement wealth

Building a retirement nest egg takes time and patience. By saving consistently, you can accumulate capital for investment purposes. Long-term investors prefer dividend stocks because money can compound faster through dividend reinvesting. Hold them in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) for tax-free money growth.

The choice of investment is crucial in your retirement journey. Invest in companies that can deliver uninterrupted income streams regardless of the economic environment. **BCE** (TSX:BCE)(NYSE:BCE) and **Emera** (TSX:EMA) are excellent picks because both are defensive assets.

Outstanding income stock

BCE, Canada's largest telco, is unbeatable when it comes to revenue generation. The $57.23 billion company generates more than $23 billion in revenue every year. Its average net income in the last three years is about $2.9 billion. At $63.35 per share, the dividend yield is a high 5.56%.

Assuming you're 40 years old and would invest $50,000 today, the money will compound 295% in 20 years. By age 60, you'd have a nest egg of $147,556.26. Assume further the yield remains constant, the quarterly dividend in 2061 is $2,051.03.

BCE is a buy-and-hold asset for its outstanding dividend track record. The telco stock hasn't missed a single dividend payment since 1881. If you're looking for exposure to the emergent next-generation technology, it's also **TSX**'s top 5G stock.

Low-risk business model

Emera is the ideal complement to BCE and perfect as a second anchor. The $14,86 billion utility company boasts a low-risk business model, so it won't disappoint would-be investors. The stock trades at $58.51 per share and pays a lucrative 4.53% dividend.

Seven of the nine companies under Emera's umbrella are regulated electric firms. Only two are unregulated investments. The company's strategy is to invest in lower-carbon energy transition that offers growth opportunities. Because this utility stock is also a Dividend Aristocrat, expect growing investment income.

Emera President and CEO Scott Balfour, said, "These investments are expected to continue to drive cash flow and EPS growth, which supports the increase in our dividend for 2022." Also, management plans to extend its dividend growth target of 4% to 5% through 2024.

From vision to reality

Middle-aged Canadians still have time to realize their early retirement dreams. With concrete steps and the right retirement stocks, it shouldn't remain a vision for long.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. TSX:BCE (BCE Inc.)
3. TSX:EMA (Emera Incorporated)

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