Retirees: 3 Costly Mistakes That Lead to Financial Dislocation

Description

The coronavirus outbreak in 2020 and the financial impacts that followed heightened retirement insecurity among Canadians. Seniors who are years away from the sunset years suddenly face serious financial risks.

Retirement life is harsh if you're ill-prepared, especially financially. However, you *can* nip the problem in the bud and prevent economic dislocation by avoiding three costly mistakes.

1. Over-reliance on government pensions

The federal government looks after the welfare of Canadian seniors thru the Old Age Security (OAS). You can start payments at age 65 or extend it until 70 for higher payouts. Those with employment histories and made contributions to the Canada Pension Plan (CPP) receives a second income source for life.

However, if you desire a better quality of life in retirement, your OAS and CPP aren't enough. Understand that they are foundations, not a plan. Thus, it would be best if you had more than both to be financially secure.

2. Taking planning for granted

Some people cite other financial priorities as the reason for not saving for retirement. It's a mindset flaw of those who take planning for granted. Be realistic and never assume you'd be spending less once you retire. Prioritize savings or at least set aside some of your income consistently whenever possible. Don't enter the late-life stage with zero savings.

3. Not utilizing what is available

Examine your income sources way before your retirement date. If you have money socked away, take advantage of investment accounts like the Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA). The federal government introduced the programs to help Canadians secure their financial futures. Utilize whatever is available to boost retirement savings.

Make decisions you won't regret

You can easily cope with inflation and medical costs if you have other income sources in retirement besides the OAS and CPP. Invest your savings in blue-chip stocks like the **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Enbridge** (TSX:ENB)(NYSE:ENB) in generating passive income. These are decisions you won't regret.

RBC is Canada's largest bank that has been paying dividends for 151 years. Energy giant Enbridge's low-risk business model assures consistent dividend growth for years to come. These two top-tier assets are enough to give you the confidence to retire.

The bank stock trades at $129.87 per share and pays a 3.36% dividend. You can purchase a share of the energy stock for $52.68 to partake of the 6.41% dividend yield. Your $182.55 can buy one share each of RBC and Enbridge. Assuming your savings is 100 times more or $18,225, the pair combined can produce $222.94 every quarter.

Assume further that you can purchase $36,510 or double, the quarterly dividend bumps up to $445.88. The only requirement from your end is to accumulate as many shares and keep reinvesting the dividends without touching the principal. The beauty of owning RBC and Enbridge shares is that you can forget the market noise.

Both companies have been through and endured the worst financial crises. Likewise, RBC (2nd) and Enbridge (6th) belong to the **TSX**'s top 10 largest publicly listed companies by market cap as of September 2021.

Rude awakening

Retirees who didn't take retirement planning seriously experience a rude awakening. They will realize that financial dislocation in retirement happens because of a retiree's own doing. Act while there's time and not make the same costly mistakes before you retire.

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