1 Overhyped Strategy Isn’t the Way to Retirement Happiness

Description

Everyone dreams of financial freedom, if not early retirement from work-life. The Financial Independence, Retire Early (FIRE) movement caught attention because of this common goal. FIRE proponents say the “retire early” concept is simple and achievable.

However, some people doubt the process and say it’s an overhyped strategy. Making big sacrifices today might not bring retirement happiness in the future. The FIRE movement is good as it encourages people to save. Unfortunately, socking away up to 70% or 80% of yearly income is easier said than done.

Serious challenges

If there are serious challenges to saving enough to retire by age 60 or 65, what are the obstacles to calling it quits at 40 or 50? Canadians are lucky because they have retirement foundations in the Canada Pension Plan (CPP) and Old Age Security (OAS) when they retire. All they need to do is create extra income to supplement the pensions.

Since the CPP and OAS are partial replacements of the average pre-retirement income, you can do the math. Compute the amount of income you’ll need to fill the gap. It won’t entail setting aside the bulk of income toward savings and living an extremely frugal lifestyle.

The key is to save consistently every year within a specific time frame while controlling spending. Your next step is to invest wisely because success depends mainly on your investment choices.

Time-tested

The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a no-brainer choice if you're saving for retirement or building a nest egg. Canada's second-largest bank has been through the worstrecessions and financial crises. Despite the economic downturns, the $155.62 billion bank has keptinvestors whole on dividend payments for 164 years.

COVID-19 is no exception. TD emerged stronger from the global pandemic thanks to the government's intervention and stimulus programs that averted a financial meltdown. The anticipated deterioration of its loan portfolio didn't happen. After Q2 fiscal 2021 (quarter ended April 30, 2021), its excess CET1 capital reached $14.6 billion.

Apart from pursuing strategic M&As, TD can deploy funds to increase dividends. Only the restrictions on dividend hikes prevent them from rewarding investors with more payouts.

Captured markets

The **North West Company** (TSX:NWC) is a dependable income provider like TD. This mature company hardly faces competition in the markets it serves. The food retailer and grocer has been around since 1668. Its captured markets are in far-flung, hard-to-reach communities of Canada, Alaska, the South Pacific, and the Caribbean.

The $1.62 billion company averaged $2.1 billion in annual revenue in the last three years. Regarding stock performance, North West's total return in 31 years is 58,397.12% (22.76% CAGR). Because of the solid Q2 fiscal 2021 results, its President and CEO Dan McConnell announced a 2.8% increase in quarterly dividends.

Slowly but surely…

The current share prices of TD and NWC are $85.51 and $33.64, while the average dividend is 4.06%. Given the yield, a $100,000 ($50,000 in each) investment can generate $1,015 in quarterly income. You can start small, accumulate shares, and keep reinvesting the dividends to harness the power of compounding.

While the FIRE concept inspires people to save, you'd have to save aggressively and give up more in exchange for early retirement. It's better to have a slow-but-sure plan without having to live frugally every year until you reach your goal.

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cliew