No Retirement Savings at 50? Here's How to Still Retire a Millionaire

Description

First, I'll be upfront with you. If you're expecting a shortcut, a loophole, some secret way to make a million in a couple of years, sorry, but you won't find that here. Simple solutions to wealth are for game shows and lottery tickets. Unless you're feeling lucky, you'll have to earn your first million the same way millionaires have before: time, grit and the power of compound interest.

Of course, once you hit 50, with no retirement savings, the possibility of you becoming a millionaire may feel out of reach. The good news — you still have time to join the millionaire club. It's not going to be easy, sure, but it's not impossible either. If you don't have a dime set aside for retirement, here's what you'll need to save to retire a millionaire.

The math

To retire a millionaire, you'll need some extra firepower — aka, compound interest. So, based on some theoretical rates of return, let's take a look at how much you'll need to invest daily, weekly, and monthly to hit a million by 70.

5% annual rate of return

- Daily: $80
- Monthly: $2,430
- Annually: $29,160

7% annual rate of return

- Daily: $63
- Monthly: $1,920
- Annually: $23,040

9% annual rate of return

- Daily: $49
- Monthly: $1,500
- Annually: $18,000

11% annual rate of return

- Daily: $38
- Monthly: $1,155
- Annually: $13,860

Now, these are estimates, not facts. The numbers are compounded annually, and I'm assuming you won't sell your positions during the next 20 years. Nonetheless, they can give you a fairly good idea of how much you'll need to save to hit a million.

How to make the math a reality

Take a look at those numbers for a second. Even with an annual rate of return of just 5%, which you could easily accomplish with a good index fund or ETF — you could still retire a millionaire by saving less than $30,000 a year. That's a lot of money, but it's not entirely impossible.

To help you get there, you'll have to revisit your budget. Now's not the time to live above your means or spend excessive amounts on discretionary expenses. It's time to sell the luxury car, cancel the vacations abroad, and cook dinner at home instead of eating out. Even the smallest of expenses, such as game and video subscriptions, can drag your retirement savings down over time.

Next, I'd consider getting a second job, at least until your investment portfolio starts gaining momentum. Right now, time is still somewhat on your side (don't be hard on yourself; you're not old yet). If you can save *more* than the estimated amounts above, your money could grow faster on compound interest.

If you're not interested in a second job, then I'd look at your home equity (if you're a homeowner). At 50 years old, now might be the time to downsize. Take that home equity that you've built and use it as the foundation of your investment portfolio.

Speaking of which, you should definitely *have* an investment portfolio. Start by opening an account with a broker who doesn't charge high fees. Every penny counts, so the lower your trading fees, the more you'll save over the long run.

Finally, don't give up. If young Canadian investors and savers in the F.I.R.E. movement (Financial Independence, Retire Early) can retire from their careers at age 40, surely you can save a million dollars before you hit 70.

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