No Retirement Savings at 60? Do These Things ASAP

Description

When you're 40 years old with no retirement savings, you think, "Well, I have time." When you're 50 with no retirement, you think, "Okay, I still have time." But when you hit 60 with no retirement savings, the reality really settles in: Time is passing quickly and you need to make a retirement plan *fast.*

Creating a comfortable nest egg at 60 can be tough. But the good news is — you *still* have time. While you may not retire a multi-millionaire, you can create a nest egg to retire on.

But you have to act fast, you have to act *now*. Gone are the days of procrastination and wishful thinking. If you want to retire within the next decade, here are four things you should do as soon as possible.

1. Create a 10-year plan

I'll admit: 10 years is somewhat arbitrary. You may want to retire in less time, or you may want to retire later. But, at the very least, a 10-year plan gives you a place to start. And one decade can give you some substantial savings.

A 10-year plan involves figuring out how much retirement income you'll need, how much you expect to save, and how much you'll get from your pensions.

The first is relatively easy. To figure out how much retirement income you need, take a look at your current expenses. If you want to live your current lifestyle in retirement, spending money in the way you're spending now, you'll need enough annual income to replace at least these costs. For instance, if you're currently spending around $40,000 a year on all your essentials, you'll want at least $30,000 per year saved. If we estimate that you'll live for another 20 years past retirement, then you'll need $800,000 in savings and pensions.

As you're looking at these expenses, now might be the right time to identify non-essential costs that you can cut, such as eating out, taking vacations, or funding your hobbies. Not only will you help yourself save for retirement now, but you'll also reduce how much your overall retirement savings need to be.

A good retirement plan also involves setting a monthly savings goal. This goes hand-in-hand with calculating how much you expect to get from your pensions. When you know how much you expect to spend per year, as well as how much you'll get from your pensions, then your savings will cover the difference between the two.

For instance, again, let's say your expenses are extremely low, at around $40,000 per month. If your pensions covered $15,000, then you'd use $25,000 of your savings to cover the rest.

2. Start maxing out your RRSP

When you figure out how much you need to save, you'll need a place to put your savings. And, in Canada, there's probably no better place to save for retirement than an RRSP.

At this point, if you haven't saved anything for retirement, then you'll have a tonne of unused space in your RRSP. Your goal is to max out your RRSP as fast as you can. That may mean saving more money than you've ever saved in your life. But trust me: The faster you can save this money, the more you'll benefit from compound interest.

Because you're in your 60s, it's probably best if you didn't invest RRSP money in aggressive investments, such as growth stocks. You don't want to lose substantial amounts of money, for the simple fact that you don't have time to earn it back. I would invest in a market-tracking index fund or a low-cost ETF, something that gives you at least a 5% to 7% return without incurring massive amounts of risk.

3. Sell your home

This might be the best way to get a jump start on your savings. If you have a substantial amount of home equity, now might be the time to sell your home. I would also consider selling your home if your monthly mortgage payments are high, as downsizing would help you save money.

But be careful here: We're still in the midst of a hot real estate market. If you think you can sell your home and buy a new one, while also setting aside some of your earnings in your RRSP, by all means — do it. Otherwise, it may not be worth the effort.

4. Pay off high-interest debt

Finally, if you have high-interest debt, now is the time to pay it off. Consider consolidating your debt into one debt payment, which may help you save on interest. Or, do a balance transfer onto a balance transfer card with a low promotional APR. With a low APR, you'll spend less money on interest, helping you put more toward the principal.

Because when you're 60 with no retirement savings, every penny in savings counts big time, because every penny saved means another penny saved for retirement.

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