



Think You Have Enough Retirement Savings? Not so Fast...

Description

Do you think you have enough money saved for retirement?

If you do, you might want to reconsider your assumptions. According to a survey of financial advisors, Canadians need \$750,000 to retire comfortably. That's for those retiring *right now*. If you're a millennial with 30 years to go to retirement, your needs will be far greater than that.

Despite the hefty sum of money it takes to retire in comfort, the average Canadian's RRSP balance is only \$112,000. Some people may have savings on top of their RRSP, but RRSPs being the main savings vehicle for Canadians, it's unlikely that non-RRSP savings are very high.

If you don't have \$750,000 saved for retirement, you'd be well advised to get there. And even if you do have \$750,000, it may not be enough. Here's why.

Inflation is historically high this year

There's a good chance you've heard about [the inflation scare](#) gripping the U.S. and, to a lesser extent, other developed countries. U.S. inflation is riding well over 5%. In Canada, the most recent reading was 4.4%. So the value of a dollar is rapidly declining. The surveys that said you need \$750,000 were from a couple of years ago. If you have exactly that much now, you might not have enough.

What \$750,000 actually buys you

To consider how much you could get out of \$750,000 in savings, let's imagine that you invested that much money at a 1.58% rate of return. That's the yield on the 10-year U.S. treasury right now—the "risk-free rate." And \$750,000 invested at a 1.58% rate of return generates \$11,850 in income per year. That's \$987.50 per month—yet a one-bedroom apartment in Toronto costs over \$2,000 per month. You could always try to cover your expenses by simply drawing down your savings. But if you live a very long life, you may run out of money.

The solution? Invest!

The solution to not having enough retirement savings is simple:

Invest what you *do* have!

And, this is crucial: invest aggressively enough that your savings will actually grow. As mentioned previously, the interest on \$750,000 won't cover your expenses in a large Canadian city. And in fact, the amount will lose purchasing power over time. So you need to invest aggressively.

One of the best "aggressive" asset classes to consider is stocks. Or even better, stock ETFs like the **iShares S&P/TSX 60 Index Fund (TSX:XIU)**. XIU is built on the TSX 60, the [60 largest Canadian stocks by market cap](#). This is a well-diversified basket of stocks that provides a 2.3% dividend yield.

Even if you look at just dividend income alone, XIU easily beats treasury bonds. And it also provides capital gains potential on top of that. So, if you invested just \$500,000 in XIU, you could watch your money grow to \$750,000, \$1 million, or even more over time. It's a great fund *and* a great way to grow your retirement savings.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. andrewbutton
2. arosenberg

Category

1. Investing

Date

2025/08/26

Date Created

2021/11/09

Author

andrewbutton

default watermark

default watermark