No Retirement Savings? Follow These 3 Steps to Retire Rich

Description

The global pandemic cast doubts on the prospects of retirement security for many Canadians. While no one will retire penniless because of two retirement foundations, financial dislocation is almost certain if you retire with zero savings.

Relying on only the Canada Pension Plan (CPP) and Old Age Security (OAS) in retirement means a drastic downgrade from your current lifestyle. The only way to maintain the same lifestyle in your working years is to save as much now and build a substantial nest egg. You can do it by following three steps to retire rich, or with enough fortune.

1. Get dead serious about saving

The first step is always the hardest because you must be dead serious about saving. Your best time to sock away money is during your productive years. Allot a specific amount for retirement savings consistently and without fail every month. If you need to downsize or curtail spending to free up more cash, then do so.

2. Aim for zero debt

As you regain control of your finances or spending, prioritize debt repayments next. Also, refrain from obtaining new loans as it could set back your plans instead of advancing them. Remember, you'd have more leftover cash for savings once you are debt-free.

3. Start the wealth-building process

With a changed habit and out of debt, start the wealth-building process. Use your savings to invest in income-producing assets. Dividend stocks are usually the top choices as many **TSX** stocks are proven wealth-builders. You can buy shares today, accumulate more if finances allow, and keep reinvestingthe dividends.

Also, play catch up with your Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP). Maximize your contributions for tax savings and tax shelter purposes. Furthermore, you realize the power of compounding through the investment accounts.

Money growth through dividend investing

A single-stock investment isn't the norm these days, but the combination of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) and the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) should be enough to create wealth. Both are dividend stalwarts with great dividend payment histories.

The average dividend yield of the energy and bank stock is 5.015%, although the dividend frequency differs. Pembina pays a higher 6.06% dividend, while CIBC offers a decent 3.97%. The pipeline operator pays dividends monthly, and Canada's fifth-largest bank pays every quarter.

Assuming you own $40,000 worth of shares in each, Pembina will deliver $202 per month against $397 every quarter from CIBC. However, if you don't touch the principal and keep reinvesting the dividends, the combined $80,000 investment will grow to $212,871, $347,240, and $566,426 in 20, 30, and 40 years. The figures illustrate money growth through dividend investing.

Pembina Pipeline belongs in the volatile energy sector, but the $23.09 billion transportation and midstream services provider hasn't missed increasing dividends for eight years in a row. CIBC has a market cap of $67.13 billion and a dividend track record of 153 years. Thus far in 2021, Pembina ($41.61) and CIBC ($147.10) outperform the TSX with 46.06% and 39.66% gains.

Turn it around

According to the ninth annual Natixis Investment Managers' 2021 Global Retirement Index, 25% of Canadians feel their retirement dreams are slipping away. However, instead of thinking it's too late, act on it. No one can turn your situation around but you.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)

4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

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

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/15
Date Created
2021/11/22
Author
cliew