



No Retirement Savings at 40? Do These Things ASAP to Catch Up

Description

If you're in your 40s with no retirement savings, you might feel a little stressed about the future. After all, at this point, you could be halfway through your career, with little or no savings to show for it.

But this isn't the time to panic. Not yet. If you're still in your 40s, you have plenty of time to catch up. You just need to get to work, and you need to get to work *today*. Here are three major things you can do that will help you get back on track.

1. Start saving in an RRSP and TFSA now

Since you don't have anything saved, or you have very little put aside for retirement, I'm going to assume you're not contributing much to an [RRSP](#) or [TFSA](#). If that's true, then it's time to start taking full advantage of these accounts.

The RRSP allows you to contribute 18% of last year's earned income (or a maximum of \$29,210 for 2022, whichever is less). That means, if your household earns \$70,000, you could contribute \$12,600 per year, or around \$1,050 per month.

But consider this: you can invest that money within your RRSP and earn significantly more. For instance, if you invested \$1,050 per month into an investment portfolio that had a 8% rate of return, you would have just over \$1 million in 25 years.

Yes, a million dollars. Let that sink in.

The good news: you don't pay capital gains taxes on investment earnings when you invest in an RRSP. So, whatever you earn will only help you earn more, without losing momentum to taxes.

But don't stop at an RRSP. Max out your TFSA, too. At this point, if you're in your 40s, you should have a significant amount of space in your TFSA. In fact, if you've never contributed to your TFSA before, then you should have a total of \$81,500 of unused contribution space (for 2022). If you filled that space and invested it in some winning stocks, you could easily accumulate enough for retirement.

2. Make big lifestyle changes

Saving \$1,050 per month sounds great on paper. But unless you get aggressive about saving money, as well as disciplined about spending, you will struggle to make it a reality.

This is where that horrible word *budget* comes in handy. I know budgets aren't exactly the most appealing idea, but trust me — they work. [Creating a realistic budget](#) will show you where your money goes every month. You'll see where you can cut corners, as well as which expenses are eating up your paycheque.

Perhaps the best thing for your situation is to build a budget around a savings goal. For example, let's say you want to save \$1,050 a month. Start there: factor out \$1,050 from your monthly paycheques (you can even set up automatic withdrawals from chequing to savings, so you don't feel tempted to spend this). Then use what's left to cover your other expenses: housing, groceries, gas, child care, utilities, pet care, and entertainment.

Consider your budget as an experiment. If you can't realistically live off \$1,050 a month, then start next month with \$900. Keep experimenting until you find the right balance for your household. Do whatever it takes, because this budget could be the key to helping you get back on track.

3. Consider working late

If worse comes to worst, you can always delay your retirement by a few years. Or you can work part-time in retirement. By working longer, you not only give yourself more time to save: you also give your investments more time to grow, not to mention give your pension payouts an extra bump.

At the end of the day, you're in your 40s, which means you still have a lot of time to work and save. But don't get too comfortable with that idea: you *do* need to act, and you should act today. [Build a retirement plan](#) with these ideas, however, and you're at least taking a good step forward.

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