



How to Turn a Side Hustle Into a Million Dollar Retirement Fund

Description

Ah, the million dollar retirement fund. Sounds luxurious, doesn't it? With a million dollars saved, you could live that retirement dream you've always wanted, whether that's living in another country or simply buying a house that's closer to your grandchildren.

But let's face it: unless you've been saving consistently since you were in your 20s or 30s, you might be far from your million-dollar retirement goal.

That's where the side hustle comes in. Side hustles can help accelerate your savings, helping you hit goals your normal paycheques wouldn't let you otherwise achieve.

Of course, that side hustle is worth nothing unless you use that extra money wisely. How can you do that? Well, if you're going to turn that side hustle into a million dollar retirement fund, here are three things I would do.

1. Resist lifestyle inflation

Perhaps the easiest way to squander income from your side gig is to give in to lifestyle inflation.

Lifestyle inflation happens when you spend more money simply because you have more money to spend. Many people experience lifestyle inflation when they get a raise, or they change jobs and find themselves earning more income. When you see this new income reflected in your bank account, you feel okay spending a bit more at the grocery, or moving into a bigger house, or buying a luxury car.

Sometimes, lifestyle inflation is okay. For instance, your new job may require you to update your wardrobe. Or, you might spend more at the grocery store, because you have more mouths to feed at home. Other times it can drain your savings, especially if you're buying new things to keep up with the Joneses, those imaginary "people" in your head that have everything you don't.

When it comes to side gigs, be careful that your extra income doesn't lead to extra spending. Because, truthfully, what's the point of working more, if you don't have any savings to show for it?

2. Invest your earnings

In truth, you don't have to earn much to turn your side hustle into a million dollars. You just have to be wise about how you invest it.

Just consider this: if you invested \$175 per week, you could turn your side hustle into a million dollars within 30 years. At \$175 per week, you're investing around \$500 per month. If we assumed 10% annual returns, then you could turn \$175 per week into \$1 million within 25 to 30 years.

Additionally, you can invest this money in a TFSA or RRSP, both of which will help you save on capital gains taxes. With the TFSA, you contribute \$6,000 for 2022, which comes out to about \$500 a month. Depending on how much income you earn, the RRSP could be a smarter idea, as you can deduct your contributions from your taxes, helping you cut your tax bill.

3. Keep a long-term perspective

Finally, keep in mind that your side hustle is most likely not a get-rich-quick scheme. Nine times out of ten, you're going to have to dig in for the long run. You'll earn small amounts, but those small amounts, when invested, can help you amass a large sum over time.

Foolish bottom line

If you have a side hustle picked out, your next step is to open a brokerage account. Be sure you choose one with low or no trading fees, as well as the option to open an RRSP and TFSA. Given that Canada has some [great brokerage accounts](#) to choose from, you shouldn't have a problem with this, but it's worth shopping around for the best one for you, as each one is slightly different.

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