



Want to Retire Early? 3 Steps That Could Get You There

Description

The global pandemic has delayed the timeline to retirement, especially of those hoping retire earlier than the standard retirement age. According to Statistics Canada, the actual average retirement age is 64 years old (2019 data). But based on the results of a survey by Ipsos on behalf the Canadian Institute of Actuaries, poll respondents expect retirement age to be 62.

Retirement readiness is the [biggest concern](#) right now, because inflation is going up faster than normal. However, the positive outcome from the health crisis is that people re-examined their [financial priorities](#) and saved more. Thus, many still have a crack at early retirement by following three doable steps.

1. Create a retirement budget

The first step is to create a retirement budget you think is realistic to maintain your desired lifestyle. Once you know the specific costs, evaluate your current financial situation and do the math. The pencil pushing will help you determine how much you'd need to save from here on until the actual retirement date.

2. Pay down debts

The second step is perhaps the most challenging part, because it involves paying down debts, including mortgage payments. Debts are obstacles to early retirement because it eats away your retirement fund. Some people work past 65 due to a mountain of debt. Moreover, avoid obtaining new debts; otherwise, you move your retirement date far down the road.

3. Invest to compound your nest egg

Socking away every extra dollar helps, but don't keep cash idle if you want to retire early. Lean towards [dividend stocks](#) to compound your retirement fund. Invest in reliable dividend payers like **BCE** ([TSX:BCE](#))

)([NYSE:BCE](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) for uninterrupted income streams.

Retirement wealth builders

Canada's largest telco and second-largest bank are proven retirement wealth builders because of their extensive dividend track records. BCE started paying dividends in 1881, while TD's first dividend payment was in 1857.

Besides operating in an oligopoly, the \$59.9 billion telecommunications giant offers stability, visible growth, and sustainable dividend payments. The current share price (\$65.92) is fast approaching BCE's 52-week high of \$67.08. Current investors enjoy a 28.11% year to date, while partaking of the 5.33% dividend yield.

Mirko Bibic, president and CEO of BCE and Bell Canada, said, "The Bell team has achieved our objective to steadily improve results each quarter since Q2 2020, when our business experienced its heaviest impacts from the COVID crisis." More importantly, BCE's total revenue and adjusted EBITDA are back to the pre-pandemic levels.

TD recently announced a 13% dividend increase effective January 31, 2022. Apart from rewarding shareholders with higher payouts, management plans to repurchase up to 50 million TD shares at an estimated cost of \$4.6 billion. The highlight in fiscal 2021 was the big bank's 15.2% common equity tier one ratio, which indicates a robust capital position.

Bharat Masrani, TD's president and CEO, said the bank ended fiscal 2021 with a robust capital position and a growing customer base across highly competitive and diversified businesses. He added that TD has a strong foundation to build its business further in fiscal 2022.

The avenue to early retirement

The avenue to early retirement is to build a significant nest egg even before you start pension payments. It's possible if time is on your side.

CATEGORY

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2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
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