3 Tips to Plan Your Unique Retirement Lifestyle

Description

The earlier you start saving and making satisfactory returns on your investments, the better your retirement could be! First, visualize what your ideal retirement is like. Second, start saving and investing to progressively get there. Here's a compound interest calculator you can play with. For example, an initial investment of $10,000, followed by monthly contributions of $300 invested over 30 years compounded annually by 10% will result in $766,672. Third, make sure to revise your retirement plan when meaningful changes occur in your life that could advance or postpone your retirement date.

Visualize your ideal retirement

Everyone's ideal retirement is unique. Some people want to retire early to travel and taste all the world's delicacies. Others want to retire with a secured home and no mortgage on their backs. Some retirees have knowledge, skills, or hobbies that they enjoy and from which they can make money during retirement. Other retirees don't mind working part time to feel a closer connection with the community.

Visualize what your ideal retirement is like. Write down the "needs" and "wants" and estimate the costs as they are today. Calculate an estimation for your average monthly expense. Needs include food, healthcare, transportation, entertainment, and housing. Even when your home is paid off, you'll still need to pay property tax, home insurance, and security, and maintenance.

No matter what your ideal retirement lifestyle is, you'll need income to help you achieve it. Oftentimes, that means accumulating a sufficient amount of assets to generate the income you need.

Start investing for retirement as soon as possible

Start planning for retirement as early as possible to take advantage of the power of compounding.Write out an initial plan with specific goals, such as the time horizon and target returns that will allowyou to cover your estimated expense. A well-built investment portfolio should be able to at least keeppace with inflation, which is why I stated above to "estimate the costs as they are *today*."

Traditional portfolios may aim to allocate 60% to stocks and 40% to fixed-income investments. This is something like what **Vanguard Balanced ETF Portfolio** strives for. However, as Larry Berman mentioned on *BNN* last week, the allocation in fixed-income investments is underperforming because of low interest rates. So, if you have a long investment horizon, investing in quality stocks is still your best bet for a comfortable retirement.

If you just started investing recently, you might aim to cover your bills — one by one — with your investments. Let's say your internet bill costs $100 a month. It totals $1,200 a year. On a safe 6.5% yield from, say, **Enbridge** stock, you can earn $1,200 a year with an investment of about $18,462 in your Tax-Free Savings Account.

The long-term average stock market returns are 7-10%. Therefore, targeting a return of at least 10% makes good sense. Otherwise, you can just save your effort by averaging into the stock market benchmark over time and be done with it. Other than aiming to beat the market, another reason to build your own portfolio is that you may prefer to maximize dividend income or optimize dividend growth. For instance, folks closer to retirement will probably prefer to maximize their dividend income, while people early in their accumulation phase will likely want higher dividend growth.

Revise your retirement plan

Update your retirement plan as needed, as it will likely change over the years. Review your plan every year or so to account for any meaningful changes in your life. For example, if you receive a raise, you can save and invest more for an earlier retirement or pay off your mortgage sooner.

Everyone's retirement lifestyle will be unique. You can start planning your retirement with the above tips. To work out the details, it may be wise to consider consulting a financial advisor.

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Date
2025/07/26
Date Created
2022/01/24
Author
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