Retirement Planning: How to Beat Your Neighbour's Retirement Fund by $643,314

Description

Retirement planning is easier said than done. It involves updates and changes to your retirement plan as your life changes. Don't be discouraged, though. The most important thing is to get started. The earlier you start saving and investing, the less money you can contribute from your pocket later on. This assumes that you're earning decent returns on your retirement funds from the financial markets.

Inflation is making everything cost more over time. You can also think of it as money being worth less over time. That is, $100 today buys much less than what it can 10, 20, or 30 years ago. Because of inflation, it's a good idea not to keep your retirement funds in cash or savings accounts that don't earn much interest.

Save early for retirement

Saving for retirement requires us to spend less than what we earn after paying for taxes. It's generally good practice to save a percentage of your paycheque. Online brokerages and broad offerings of exchange-traded funds (ETFs) make it relatively simple for new investors to get started in investing and be diversified. You can gain broad exposure to bonds and stocks through ETFs.

If you're saving and investing $500 a month and getting a total return of 10% annually in your Tax-Free Savings Account (TFSA), your TFSA portfolio will grow to $986,964.14 in 30 years. Your neighbour, who started investing for retirement later than you by 10 years for the same 10% rate of return, will only grow their investment portfolio to $343,650. It's because they lost 10 years of savings *and* compounded returns!

It would be even better if you were able to save more than $500 every month for your retirement fund.

Invest early for retirement

Because you're investing early for retirement, which isn't expected to come for over a decade, you're able to invest your money in long-term investments that give satisfying returns. This is why I picked a target return of 10% per year above, targeting long-term investments like bonds and stocks. However, in reality, bonds and stocks will be volatile. You won't generate 10% per year, per se. However, depending on your investments, sometimes you'll have exceptional years, while in other years there could be market corrections.

By investing early, you can ride out the volatility and hopefully invest more when investments are cheap. If you're into stock picking, right now, a cheap **TSX** stock is **Manulife** (TSX:MFC)(NYSE:MFC). It trades at a cheap valuation and offers a high dividend yield of 5%. You can hold the dividend stock in your non-registered account to get the tax credit or hold it in your TFSA for tax-free income and capital gains when you finally sell.

Here are John Zechner's comments on Manulife stock this month:

> "Not sure why it's so cheap. It trades at a deep discount at only seven times core price-to-earnings ratio and earnings are growing. It offers a great dividend yield and is a value-oriented play."
> *John Zechner, chairman & founder, J. Zechner Associates*

When you invest early, you get the advantage of buying assets before those years of inflation have occurred. So, just focus on owning great businesses when you consider stocks to invest in.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

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

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/30
Date Created
2022/02/08
Author
kayng