Why You Should Strongly Reconsider Early Retirement in 2022 (and Possibly 2023)

Description

I've said it before, and I'll say it again: the year 2022 is *not* a good year to retire early. Whether you're in your late 50s and you're ready to hang your hat for good, or you're a passionate follower of the F.I.R.E. (Financial Independence, Retire Early), this year could be challenging to quit your job. Here's why.

Inflation

Yes, we're all suffering from high inflation. Though the Bank of Canada finally — *finally* — pulled the lever on interest rates, bringing them up to 0.50%, inflation has gotten out of control, and many Canadians simply can't keep up.

That's a major problem for retirees, both yet to be and the already retired. Hopefully, you planned for inflation in your retirement planning. But even if you did, you probably didn't plan for a 5% inflation rate.

With inflation at 5%, your retirement savings lose a massive amount of purchasing power. Your cost of living has likely gone up, which can drain your savings, no matter how much cushion you've built in.

To be fair, inflation doesn't have to stop you from retiring. But if your budget is tight, I would play it safe and postpone retirement until at least 2023.

Big changes could be brewing

I'm not an alarmist. And I'm certainly not someone who announces big world events prematurely. But the situation in Ukraine is, well, not looking good. Whatever the outcome of the war, whether Ukraine holds on to its sovereignty or falls to Russia, it's clear the world is going to look *very* different in the next few months.

I don't know what that means for financial markets. But I do know markets don't respond well to unpredictable and uncertain changes. Though we haven't seen a major crash or downturn in the stock markets, we're not yet in the clear.

For those who plan to live off capital gains or dividends, that could spell disaster for your retirement savings. If the stock market becomes more volatile, your nest egg would look noticeably smaller, and you might to accept losses rather than wait for the market to rebound.

Just to be safe, I wouldn't put yourself in a situation in which you depend on your investments for your livelihood. You've come this far: let's wait until the market looks a bit more stable before you clock out for the final time.

The workforce may need you

Our supply chains are still choked with short labour. While this was more of an American problem than a Canadian one, the "Great Resignation" has started to creep northward, resulting in fewer workers and more "Now Hiring" signs.

Now, there might be a compromise here. If you're keen on retiring from the office, you *could* find a remote position, which — who knows? — might feel just as relaxed as retirement. While remote work is still, *well*, work, it allows more freedom than an office even could. A sense of freedom can easily slow down the rate of burnout, keeping would-be early retirees in the workforce for longer periods of time.

Though it could take a fair amount of selflessness to convince yourself to work for the benefit of others (you don't need the money, but the economy needs your skills), it might be enough purpose to help you get through another year.

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Author

sporrello