Want to Retire Wealthy? Follow These 3 Steps

Description

Rising inflation makes it difficult to lay down the groundwork for a safe landing in retirement. Canada's inflation rate of 5.7% last month is the highest since August 1991. The reading in early March showed a spike when oil hit US$130 per barrel. While the rising cost of living can erode retirement savings, would-be or future retirees need to remain focused on building their nest eggs and protecting them.

You can overcome inflation blues and still retire wealthy or live comfortably by following three steps. These steps were successful in the past and are applicable to the present. The key is to follow through while making a few sacrifices here and there.

1. Save and invest

Money produces nothing if you keep it idle. Investing is the way to grow cash on hand and build retirement wealth. Maximizing tax-advantaged or tax-sheltered investment accounts like the TFSA and RRSP is also a must if the goal is to secure your financial future. Users of these accounts hold income-producing assets, mostly dividend stocks. Because money growth is tax-free, balances compound faster.

2. Change spending habits

The current situation requires adjustment in spending habits not only for retirement savers. Forego splurges and avoid needless purchases so more cash can go towards retirement savings. Also, avoid obtaining new loans or limit them to good debts that returns something of value.

3. Estimate income and expenses

The third crucial step is to estimate income and expenses in retirement. Revisit your monthly budget and factor in post-retirement costs, including medical. Since the CPP and OAS pensions won't replace the average pre-retirement income fully, identify potential income sources to cover all financial needs.

Since time is your friend, invest as early as now.

Long-term investing

Bank of Montreal (TSX:BMO)(NYSE:BMO) and **Imperial Oil** (TSX:IMO)(NYSE:IMO) are quality stocks you can buy today and hold forever. Both have dividend track records of more than 100 years. The big bank stock is the dividend pioneer, while the energy stock is a Dividend Aristocrat.

Keep reinvesting the dividends to realize the miracle effect of compounding. By the time you retire with a substantial nest egg, the capital remains intact, and the dividends become your regular income streams.

BMO started paying dividends in 1829 and the record is seven years short of 200 years. During the dividend bonanza on year-end 2021, Canada's fourth-largest bank announced a 25% dividend hike, the highest percentage increase among the Big Six banks.

As of March 23, 2022, the share price is $148.01, while the dividend yield is 3.48%. Given a gateway to the affluent California market, market analysts are bullish on BMO. Their 12-month average price target is $168.21 — a 13.6% upside potential.

Apart from the 140-year dividend track record, Imperial Oil has raised its dividends for 26 consecutive years. The $38.45 billion integrated energy company reported killer earnings ($2.47 billion) and considerable free cash flow ($1.23 billion) in Q4 2021. At $57.47 per share, current investors are up 26.73% year to date and partake of the 2.43% dividend.

Focused strategy

Inflation is a perennial threat, especially to people approaching retirement. However, a focused strategy to overcome its impact will ensure that you'll have more wealth to enjoy the sunset years.

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2. Investing

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