



5 Perks of Saving and Investing Early

Description

Some economists and market analysts criticized the Bank of Canada (BoC) for taking too long to end the low interest rate environment. Early this year, **Scotiabank** Economics expected the initial rate hike to take effect on January 26, 2022. Despite the pressing need to tame soaring inflation, the central bank announced the first increase (0.25%) on March 2, 2022.

BoC, however, was bolder the second time around and made the biggest move in more than two decades. It raised the benchmark rate by 0.50% to 1% on April 13, 2022. During the announcement, Governor Tiff Macklem said more rate increases would be needed.

While the jumbo rate hike is bad news for mortgage borrowers, it's favourable to retirement savers. Yields of fixed-income instruments like guaranteed investment certificate (GIC) increased. Still, the increasing prices today present a strong case for people to make saving and investing a priority.

Younger Canadians will benefit greatly from an [early start](#). The perks are plentiful, and the following are the top five.

1. Time is your friend

Time horizon is important in achieving long-term financial goals. Investing is a long game in that the earlier you make your money work, the higher the rewards will be in the future. Also, under normal conditions, younger folks can take risks, because there's sufficient time to recover in case the investment sours.

2. Magic of compounding

There's magic in investing, because continuous reinvesting of investment income or dividends can increase returns exponentially. Potential gains from compound interest are huge if you have the foresight or are serious about building retirement wealth.

3. Disciplined spending habit

People with a focus on securing their future financial health usually develop disciplined spending habits. Instead of purchasing needless things, the tendency is to control spending and work around a budget. The free cash you can generate from cutting expenses can go toward savings.

4. Sound financial situation

Imagine the wide disparity in the financial situation of a person who saved \$100 every month for 20 years compared to one who saved the same amount for only 10 years. The money can grow further through investing. Also, investing early prepares you for any eventuality or financial hardships, including [coping with high inflation](#).

5. Better quality of life

The end goal of any retirement saver is a better quality of life in the sunset years. Early investment reduces financial risks as you get older. You can enjoy a comfortable retirement with a third income source on top of pensions like the CPP and OAS.

Defensive holding

If you're new to investing, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is an excellent [beginner stock](#). The dividend stock with bond-like features is a defensive holding for risk-averse investors. Because this \$30.28 electric and gas company derives revenue from highly regulated utility assets, cash flows are stable and predictable.

David Hutchens, president and CEO of Fortis, said, "In 2021, Fortis delivered steady growth and made significant progress on our long-term goals." The company plans to increase dividends by 6% annually through 2025. It's achievable as the \$20 billion capital program (2022 to 2026) would bump up the rate base to \$41.6 billion by 2026.

Dividend aristocrat

Fortis has raised its dividends for 48 consecutive years. At \$63.50 per share, the dividend yield is 3.28%. Apart from growing dividends, you're investing for peace of mind.

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Date

2025/07/23

Date Created

2022/04/19

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