Not-Yet Retired Canadians: Do This 1 Thing to Lessen Anxiety

Description

Anxiety is climbing among seniors, especially those approaching retirement. Rising inflation is a bummer in that not-yet retired Canadians might have to work longer and extend their retirement timetables. Life in the sunset years is harsh if prices remain high and financial resources aren't enough to cope with it.

The OAS and CPP are lifetime incomes, although the pensions are partial, not 100% replacements, to the average pre-retirement income. To avoid financial dislocation and mental stress, retirement planners suggest making full use of investment accounts like the Registered Retirement Savings Plan (RRSP).

Prospective retirees can save and put the money to work through dividend investing. It's a proven strategy to build retirement wealth or create income besides the pensions. If you're using an RRSP, the key is to make regular contributions if maximizing the limits isn't possible. Money growth is faster in the tax-sheltered investment account.

RRSP take-up is rising

Inflation is a major concern of Canadians, even before the Russia-Ukraine war. On February 7, 2022, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) reported strong RRSP growth. Stuart Gray, director at RBC's Financial Planning Centre of Expertise, noted that more Canadians are shifting their financial priorities to longer-term saving and investing.

Gray said RRSPs are making a big comeback after trending downward for seven long years. Based on RBC's estimate, 53% of Canadians have RRSPs. Regarding eligible investments, stock holdings increased to 20% versus 14% in 2020.

The RBC 2022 Financial Independence in Retirement Poll also revealed interesting insights from respondents. On the national level, 47% said they don't have enough savings. The next two concerns are maintaining the standard of living (36%) and impact of inflation (29%).

About 26% cited unexpected expenses as one of the barriers to saving more. Retirees will experience the same in the golden years. While expenses in retirement will be lower due to downsizing, medical costs will arise from time to time, if not regularly. Also, the OAS and CPP might only cover the basic financial needs and a few others.

Third pillar

Canada's largest lender is the topmost choice of long-term investors looking for a third pillar in retirement. RBC will not only provide income streams for decades but will likewise protect your nest egg. On March 23, 2020, the share price sank to as low as $66.69 due to the pandemic-induced market selloff.

By year-end, RBC topped $100, or 50.4% higher than its COVID low. As of this writing, the TSX's most valuable stock trades at $139.01 per share and pays a 3.45% dividend. The payout is super safe and sustainable owing to the very low 39.5% payout ratio.

This $198.75 billion bank isn't done growing its wealth management business. RBC aims to become the market leader in Ireland and the United Kingdom. It will acquire London-based Brewin Dolphin Holdings to gain access to key growth markets. You'll be paying good money for a global asset management champion.

Refocus and plan out

Gray advises Canadians to refocus on their financial futures. Not-yet retired Canadians especially must have a retirement plan in place. It can help you to be on top of your finances and make adjustments when circumstances change. More importantly, you'll have the confidence to retire and enjoy post-work life.

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Date
2025/08/15
Date Created
2022/04/23
Author
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