3 Best Ways to Invest for Retirement

Description

Canadians need to calculate how much they end up spending each month. Generally, it's good practice to spend less than you earn, resulting in savings that you can invest for the future, including for retirement. Some expenses don't appear every month, such as car maintenance, dental cleaning, and gifts. Record these and divide them by 12 to ensure you count them in your average monthly spending.

Once you get into the habit of saving, build an emergency fund of about three to six months of your cost of living, before investing for retirement. With that said, here are three of the best ways to invest for retirement.

Your education

Life-long learning is so critical. No one can take away your wisdom or experience. No matter which area you may need improvement on or increase your knowledge in, go for it! For example, to communicate better or improve your leadership skills, you might join a local Toastmasters club. Alternatively, you might want to take some music lessons to expand your hobbies. How about taking up some cooking lessons? Anything goes! Learning through your life can make your retirement that much more interesting!

On the financial side of retirement planning, Canadians should highly consider using dividend stocks to boost their income.

Dividend stocks

Dividend stocks are one of the best ways to invest for retirement. In fact, you can start earning some solid income even before retirement. For example, **BCE** (TSX:BCE)(NYSE:BCE) is popular among retired and income investors.

The telecom has paid dividends for about 140 years. In the last decade, it has increased its dividend like clockwork every year. For reference, its 10-year dividend growth is 5.5% per year.

As one of the Big Three telecom stocks in Canada, BCE enjoys a good percentage of recurring revenues from its subscriptions. Consequently, its cash flows have been highly stable to support its dividend.

Last year, the telecom spent an outsized amount of $6.9 billion in capital spending — investments for the future, which caused a reduction of free cash flow by roughly a third versus prior years. The oversized capital spending shouldn't be the norm. In fact, BCE's free cash flow can significantly bounce back by next year to cover its dividend.

At writing, BCE stock yields 5.8% — a generous income versus the Canadian stock market's yield of about 3%.

Real estate

Once you built your dividend stock portfolio to a good size, you might take some profits off to buy a home or invest in a rental property. In fact, you can rinse and repeat and keep adding to your real estate fleet.

Generally, economists believe that housing prices will decline 15-20% in the near term because of rising interest rates and other factors. Therefore, it could be a good time to consider real estate properties as a super-long-term investment.

Since we're on the subject of real estate investing, you can also consider real estate investment trusts (REITs), which act like dividend stocks but have underlying real estate portfolios. REITs are volatile and pay out cash distributions that are like dividends but are taxed differently.

Some advantages of REIT investing over buying real estate properties are diversity and liquidity. Because REITs trade like stocks, Canadian investors can sell and make a profit at the right price at the snap of a finger. Alternatively, you can buy REITs at good valuations and hold them for a long time for passive income.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BCE (BCE Inc.)

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