Canadians: 3 Best Ways to Invest for Retirement

Description

Canadians, here are a few of the best ways to invest for your retirement. They include dividend stocks, real estate, and you!

Dividend stocks: One of the best ways to invest for retirement

You pay lower income taxes on dividend income from dividend stocks than your job's income, interest income, and foreign income. Therefore, it is one of the best incomes to build up and grow as soon as you can. This low-taxed income will benefit you through retirement!

For example, for a Canadian in Ontario who earns $120,000 from working this year, the combined federal and provincial marginal tax rate on their job's income is 43.41%. That is, the next dollar earned would be taxed 43.41%. However, the next dollar of eligible dividends earned would only have a marginal tax rate of 25.38% up to a taxable income of $150,000.

When investing in dividend stocks, you can also opt to choose a passive approach, such as buying quality dividend stocks like **Royal Bank of Canada** on market corrections. Currently, the leading Canadian bank stock trades at a small discount and pays a safe yield of 4%. You can also expect this dividend to increase faster than inflation in the long run.

Real estate, including REITs

Many Canadians buy their homes and aim to pay off their mortgages before they retire, which will significantly reduce the monthly payments they need to make for their homes. Keep in mind that you'll still need to pay for home insurance, property taxes, and potentially utilities, condo, or home repair fees during retirement.

In most cases, real estate prices rise in the very long term. So, some retirees end up selling their principal residence in retirement to book a sizeable gain — thankfully, that's tax free! Then they could either rent or buy a smaller home, which leaves them a large lump sum to enjoy in their golden years.

Alternatively, Canadians can buy real estate investment trusts (REITs) and enjoy passive income from a diversified real estate portfolio. For example, they can pick from healthcare, industrial, data centre, residential, retail, and office REITs. Investors should note that because REITs trade like stocks, they are sensitive to changing interest rates. For instance, rising interest rates recently triggered a selloff in REITs, bringing down the valuations of the stocks and consequently pushing up their cash distribution yields.

You can discover ideas in a REIT ETF like **iShares S&P/TSX Capped REIT Index ETF** to explore the kinds of REITs and potential yields you could get. The ETF yields about 3.7%, but you can build your own REIT portfolio with individual stocks to generate more income.

You!

Never stop learning! You can pick up a new language by learning from a language app. You can take courses or a program from your local college in subjects you're interested in. You can try yoga or meditation. Learning something new is an excellent way to keep your brain sharp through retirement.

If you're doing a full-time program, you may be able to borrow up to $10,000 in a calendar year interest-free from your Registered Retirement Savings Plan through the Lifelong Learning Plan.

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