



Young Investors: Invest \$3,000 Each Year for \$4,204 in Monthly Retirement Income

Description

Young investors may be finding this market hard. Whether you're 20, 30 or 40, you really have not had all that much time to develop your stock-picking skills. Therefore, any "long-term" holds you have may instead be trading in the red.

But I certainly would recommend that young investors look farther into the future. And to help you do that, I'm going to provide novice investors with an example of how you can create thousands in annual passive income each year. Even if you don't have that much to put aside to start with.

First, create the cash

For this example, I'm going to assume that young investors can put aside about \$3,000 per year. That would come down to \$250 per month. Of course, right now, that might be hard. But there are ways that you can either create the cash by earning more income, or making some cuts.

Following are a few ideas for boosting your income. If you are a young investor who needs to make some cash, consider renting out things that you already own. That could be anything from clothes or power tools, to a shed or parking space. Whatever you have that you're comfortable renting out, try it out! In fact, if you were to rent out a parking space in Toronto, for example, you could make even more than the \$250 per month you'd need.

You could also try cutting back on your budget. Most banks will be willing to provide you with some personal finance counselling and a breakdown on where you're spending, and where you can cut back. That could be clothes, eating out, streaming services, or even starting to make your own food instead of buying pre-made stuff. Honestly, oat milk alone is such a scam. Seriously, look it up. That's \$8 saved right there.

Choose your stocks

Alright, so young investors have managed to make \$250 to put aside each and every month. Amazing. Now it's time to choose a great stock to invest in. For me, I would consider the [Big Six Banks](#) again and again. These stable financial services providers have done well in the past 100 years, rebounding through every downturn. So these bank stocks can help your investment portfolio rebound as well.

Plus, each of these stocks tends to provide ongoing dividend increases. So you'll also be able to see your passive income increase as well. In the current inflationary market, the Big Six Banks have been expanding their businesses even as interest rates and inflation rise, causing loans to drop. Thanks to provisions for loan losses, it should really only be a hiccup for long-term investors.

For me, a great option would be **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). BMO stock is an exceptional choice offering one of the higher dividends of the Big Six Banks. Plus, BMO stock recently expanded in the United States thanks to the acquisition of Bank of the West. So with a 4.58% dividend yield, trading at 7.2 times earnings, I would certainly consider it.

Create long-term income

You have your cash. You have your stock. Let's look at what young investors can create by the time they retire. If you're 30, then that gives you about 35 years to reach the 65 retirement age. First off, investing \$3,000 each year into a [Registered Retirement Savings Plan \(RRSP\) or Tax-Free Savings Account \(TFSA\)](#) is already a great start. That alone would give you \$105,000 put aside for retirement.

But we can do better?

BMO stock has seen shares climb 645% in the last two decades. That's a compound annual growth rate (CAGR) of 10.6%. The dividend meanwhile has grown by a CAGR of 8.34% during that time. So it's important to also look at passive dividend income when looking at the growth of your investments.

If you were to enjoy the same growth and continue making these investments, you would turn that \$105,000 into \$2,221,608! That would create annual dividend income of \$50,452, which comes to about \$4,204 per month. That is by *far* enough to retire on!

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BMO (Bank Of Montreal)

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