



How to Comfortably Retire With Just \$500,000

Description

It sounds too good to be true to retire with just \$500,000 to your name, doesn't it? Most Canadians think that you need at least a million dollars in the bank to even contemplate retirement, but it all depends on how productive those assets really are.

What I mean by that is the simple power of compounding. \$500,000 earning a 10% rate of return will outgrow \$1 million earning a 5% return in just 15 short years. This math is extremely powerful knowledge for people in their 30s and 40s who are saving hard for retirement but feel that it is a pipe dream.

So, the real question is this: how does one go about earning a reliable, safe 10% or greater return while ensuring that there is absolutely no capital loss.

I am going to introduce you to one stock that meets the strict criteria I have set out. Provided an investor can leave it alone for 20 years, I will show you how this investment can lead to a comfortable retirement income.

Global real estate powerhouse

When it comes to investing in real estate, Canadians don't have to look anywhere else other than their own backyard, because **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is simply the best real estate stock in the world and has access to top properties in the best cities in the world.

Brookfield has a clear competitive advantage in the form of its parent company, **Brookfield Asset Management**, which has the distinction of being one of the top two private investors in the world, alongside **Blackstone Group**.

Brookfield Property Partners always benefits from the rock-solid and monster balance sheet of its parent if it wants to be opportunistic amid market turbulence. Indeed, Brookfield Property Partners picks up its best assets in times when a distressed seller is cash strapped and needs to sell trophy assets to gain much-needed liquidity.

Brookfield Property Partners knows how to keep its income-oriented investors happy with an industry-leading 7% dividend yield that is set to grow by 5-8% every year for the foreseeable future.

As if all this wasn't enough to convince you, yet another clear advantage of owning this stock is that its net asset value is around \$28, while the stock is trading at \$25 per share, meaning it is also a [deep-value investment play](#).

The retirement math

I started the article by saying that stocks like this can allow an investor to retire on \$500,000, so let's prove this with some math. At a current stock price of \$25, investors can buy 20,000 shares with their \$500,000 nest egg.

On day one, this investment will yield \$35,000 in annual dividends, which, coupled with the government's CPP and OAS payments, equates to around \$50,000 in annual income, which is enough to retire on in a number of small towns and cities across Canada.

But perhaps we want to do some traveling, and perhaps we would like to live in a city like Toronto or Montreal, which can be pricey. The easy answer is that we need to let our Brookfield Property Partners shares grow and compound over time.

Let's assume that we invest at the age of 50 and have 15 years for the share price and the dividend to grow. I'll assume that the dividend grows at 6.5% per year, which is smack in the middle of the company's stated dividend-growth goal.

This means that the dividend growth in those years will lead to an annual dividend payment of \$90,000. This monster dividend payment coupled with CPP and OAS should lead to a \$110,000 per year income flow, which is enough to retire comfortably in virtually any city in Canada your heart desires.

Investor takeaway

Of course, I'm not suggesting that investors go out and plunk their entire nest egg in one stock. However, I am suggesting that there are many blue-chip, growth-oriented investments like Brookfield Property Partners in Canada that have a phenomenal track record at creating long-term value for investors.

What is required is a medium- to long-term time horizon and discipline to stay the course, especially in turbulent times. So, smart investors should tune out the noise and sleep easy knowing they can let [high-quality stocks](#) like Brookfield Property Partners do all the hard work to fund their retirement.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Business Insider
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