‘Super savers’ focus on what retirement could look like

Left to right are Dan Nolan, investment advisor with IPC Securities in Ottawa, Sheila Walkington, co-founder of Money Coaches Canada in Vancouver, and Justin Bouchard, academic advisor at the University of Manitoba and a money expert on Young and Thrifty, a personal finance website.

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You're fiftysomething, you make a good salary, but you haven't saved much for retirement. What if you became a "super saver" for the next five to 10 years? Boosting your savings could make the difference between scraping by or enjoying a comfortable retirement.

We asked three financial experts for their advice on how to squeeze out more for retirement:

- Dan Nolan, investment advisor with IPC Securities in Ottawa.
- Sheila Walkington, co-founder of Money Coaches Canada in Vancouver.
- Justin Bouchard, academic advisor at the University of Manitoba and a money expert on Young and Thrifty, a personal finance website.

First, all three experts suggest you pinpoint how and where your money is being spent. That means an in-depth analysis of your household cash flow. Tracking your money will uncover frivolous spending habits and help you decide where to cut.

Top budget buster

Ms. Walkington: Dining out is one of the biggest things people waste their money on today. (It was selected as the top budget buster of 2017, according to Principal Financial in the United States.)

While it's easy to pick up your favourite latte on the way to work, going to Hawaii in retirement is even nicer. Tomorrow morning, envisage that holiday and make your own coffee and toast with peanut butter, so you're not spending $14.

On the way home, stop at the grocery store instead of the takeout place. Create a meal plan so you can stick to your grocery list and savings plan. Buy only enough ingredients to make dinner. That way food does not get pushed to the back of the refrigerator and wasted.

Go out to eat with friends because that's your social life. But don't go out for dinner just because you're too lazy to cook.

Mr. Nolan: It's surprising to people who don't track their money accurately to discover what they spend it on. You could be spending $700 going out for dinner three or four times a week without realizing it. However, you need balance in your life. Cut back, but don't cut out dinners with your friends entirely.

Set a goal

Ms. Walkington: Think of what retirement could look like if you save. It's a tradeoff. If you know what's most important, it's easier to say no to other things. Put that picture of a sailboat on your fridge so you're reminded of what you're working toward.

Mr. Nolan: Be realistic. If you have only $15,000 of free cash flow every year, you're not going to reach an objective of $2-million in 10 years. In order for people to buy in, they need to see an objective at the end of the line – one that's possible to reach. Track progress toward your ultimate goal on an annual basis. Break it down into manageable segments.

Make a plan

Ms. Walkington: To be a "super saver," you'd better be a super planner. Typically people try to save 10 per cent of their working salary but a super saver might save 20 per cent. Figure out what will work for you. Start by saving $100, $200 or $500 a month, whatever you think you can do. Then increase it as much you can. Maybe once your car loan is paid off, you can save $700 a month. Take baby steps and look for ways to add to it.

Mr. Nolan: There definitely has to be a mindset change, and that happens through some pretty detailed planning. The key is the plan. Revisions will be necessary over time. It's hard to predict what will happen in a year, let alone 10. An advisor can help with that.

Mr. Bouchard: Figure out what you can save – a portion or a percentage from your paycheque that you won't really miss. At most workplaces, you can send some of your paycheque directly into an automatic savings plan so it's there every two weeks and builds up.

Invest wisely

Mr. Nolan: Once you have a plan and understand what dollar value you require, you can determine what rate of return you're going to need to meet those objectives. Then, take on only as much risk as necessary to meet those goals. You need to be moderate so that there's some protection of your capital, but at the same time it's allocated toward growth.

Mr. Bouchard: Cut back on investing fees. People in that 50s age demographic usually invest in mutual funds set up by banks that have high fees of 3 per cent. If you use robo-advisors, you can go down to 0.5 per cent. Over time, that makes a big difference. You're getting more of your money back and more of that is compounding. They also test your risk assessment. I'm high risk because I'm younger and don't plan on touching it for a while, but an older investor would have a more conservative risk profile. It reallocates every time you put in money, so you don't have to think about it.

Pay off credit cards promptly

Mr. Nolan: If there's even a hint there might be balances left on the credit cards, avoid them and spend primarily from savings because the interest rates are crazy. But if you pay it off every month, it can be a great source of extra benefits like travel points or cash back.

Mr. Bouchard: If you have credit-card debt, eliminate that first or get a line of credit at a lower interest rate and pay off the cards. Look at your lifestyle and see what benefits work for you. Do your research and compare. You can get a credit card from anywhere once you're approved. If a card's not working for you, you can cancel whenever you want and switch it up.

Negotiate fixed costs

Mr. Bouchard: Anything that's automated – where you're paying every month – are quick wins if you reduce those monthly. If you can shave down your mortgage by half a per cent by going somewhere else, instead of just renewing, do it. It's worth the effort. Credit unions are offering good competition to the banks by being more adaptable.

I always look at my cellphone plan and switch it up. This year it made sense to combine my plan with my wife's. Now I can save $25 a month on my cellphone plan. We both work in places with WiFi so we don't need a lot of data. If you have a 10-gigabyte data plan but you're only using 2 GB, you can probably save $15 a month by downsizing your data.

If you have magazine subscriptions, call and ask whether there's any savings or just go digital. A lot of people cut cable. I did and now I wouldn't go back. That could be $100 a month that you throw into the same automated savings account as your paycheque.

Share a car

Mr. Bouchard: I share a car with my wife and save $100 on insurance, but not everyone can share a vehicle. Routine maintenance is worth it because the vehicle will last longer and you won't need a new one as soon. If you just need a vehicle to get from A to B, get a good used one. But before you buy, take it to your mechanic to give it a once over. Often a dealer will give a warranty on a used vehicle as well.

Build tax-free savings accounts

Mr. Nolan: Utilizing tax-free savings accounts to their maximum is of upmost importance. Use tax-free accounts for the long-term future, not the short-term, because the real power of tax-free savings accounts is in the compounding tax-free growth. So the more money you can save in your tax-free accounts, the better off you'll be in retirement from a tax standpoint.

You should also look at the room you could have in your registered retirement savings plan. Start investing in your RRSP because you could get a tax deduction as a result. Take that tax refund and reinvest it. Put it back to work.