Am I on track...
...to have $400,000 by age 50?

THE CURRENT SITUATION

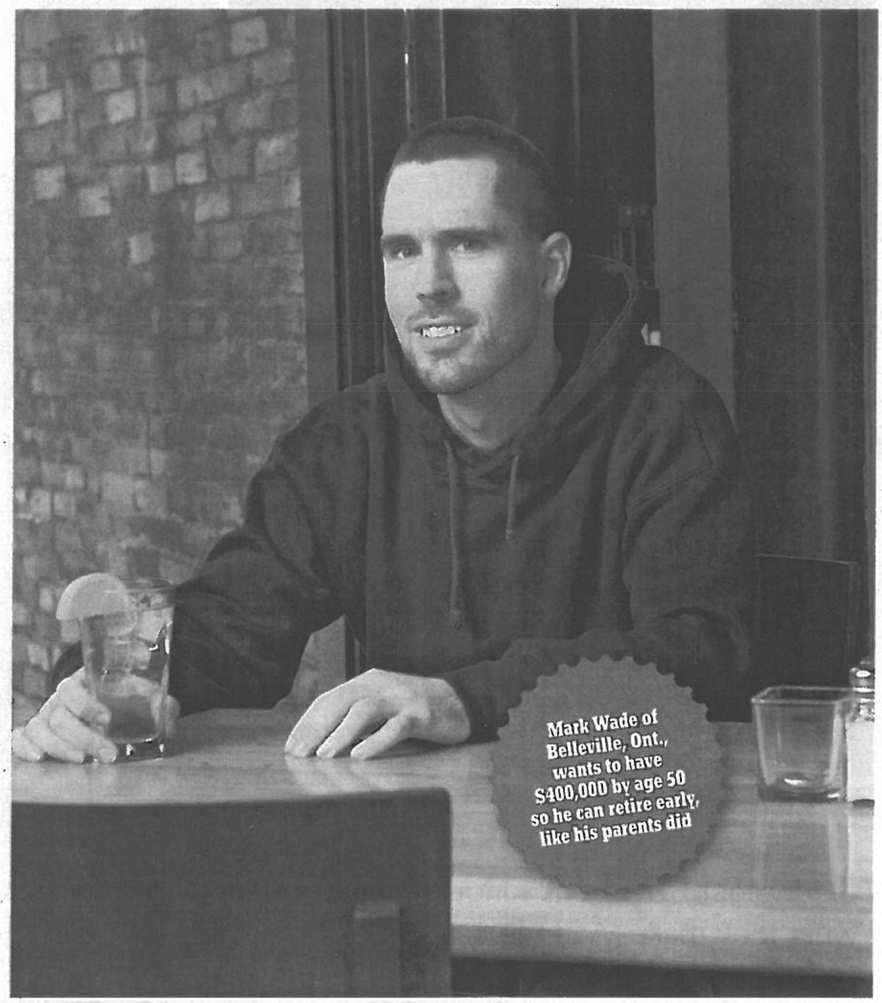
Mark Wade, 32, wants to retire at age 50 with $400,000 in savings. As an operations supervisor for a cleaning company in Belleville, Ont., he earns a modest $28,000 a year. But Mark's a diligent saver and annually deposits $5,100 into his TFSA, $4,000 into his RRSP and $3,000 into a non-registered account. "I don't like to work so I'm saving more than 30% of my income now to retire frugally at 50 like my parents did," he says.

Of some concern, though, is the fact that almost all of his investments are in mutual funds with management expense ratios (MERs) of 2.7%. That's high, Mark realizes, but his portfolio, which is mainly comprised of Canadian equities, has returned 11% annually over the past 16 years—so he's not too concerned. Mark's also done some shrewd real estate investing and recently sold an income property he bought four years ago. "I'll pocket $85,000 from the sale," he says. All totalled, Mark has $193,600 in assets, which includes a $35,000 cash emergency fund. To live comfortably in retirement, he anticipates needing just $18,000 net annually. "I've always lived frugally and don't plan to ever stop."

THE VERDICT

According to Vickie Campbell, a certified financial planner with Ryan Lamontagne in Ottawa, Mark is on track to easily reach his goal. In fact, he'll reach it by age 43. "He has a few advantages," she says. "Time, the power of compounding and access to tax-sheltered vehicles. Plus, he's already halfway there."

Going forward, Campbell wants Mark to continue to put his annual maximums into his TFSA and RRSP but says his portfolio requires diversification. "He needs to add some international and U.S. equities to his mix, as well as a solid fixed-income fund to lessen any risk. A portfolio made up of 60% equities and 40% fixed income will return 4% net annually and get Mark to his goal." Campbell also recommends Mark forgo the high-fee mutual funds he's using now in favour of low-cost index funds. If he goes ahead with this low-cost, low-risk strategy until age 50, he'll have more than $560,000 at that time, says Campbell. Coupled with CPP, OAS and possibly GIS (if he makes withdrawals from his accounts to maximum tax efficiency), "Mark should have no problem making his nest egg last a lifetime." JULIE CAZZIN

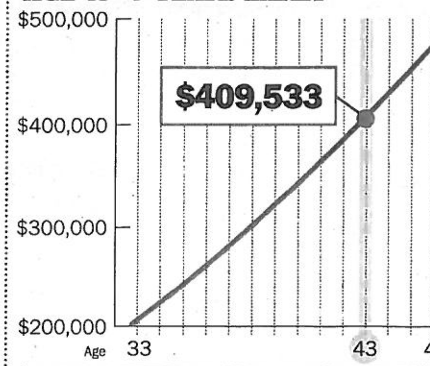


Mark Wade of Belleville, Ont., wants to have $400,000 by age 50 so he can retire early, like his parents did

WHERE THEY STAND

ASSETS	
Cash from sale of rental property	$85,000
RRSP	$32,000
TFSA	$33,000
Radio shack shares	$5,000
Non-registered mutual funds	$3,600
Emergency cash	$35,000
Total Assets	**$193,600**
LIABILITIES	
Total liabilities	$0
NET WORTH (total assets minus total liabilities)	**$193,600**

MARK WILL HAVE $400,000 BY AGE 43—7 YEARS EARLY



Do you want *MoneySense* to see if you're on track to meet your own financial goal? If so, drop us a line at letters@moneysense.ca