



Millennials: It's Time to Get Serious About Investing

Description

The stats are in, and they're alarming.

A 2016 study said some 80% of millennials aren't putting their money in the stock market, choosing instead to stick their cash in safer assets like high-yield savings accounts, GICs, or real estate.

Simply put, the average millennial is scared of stocks. Most still vividly remember the 2008-09 financial crisis, which happened right when they were beginning to think seriously about investing. This alone made many younger folks swear off the market completely and limit their investing universe to instruments that offered guaranteed returns.

As much as baby boomers want to deny it, there's little doubt that it's much tougher for the average young person to save versus 20 or 30 years ago. It used to be very possible to get a good job right out of high school. These days, even college graduates are having a tough time finding steady work. Many have turned to freelancing and other contract work, which is hardly secure employment.

Millennials don't just have student loans to deal with either. Real estate is crazy expensive these days. Social media makes saving extra hard. Who wants to scrimp and save when your feed is filled with your friends laughing it up on a beach somewhere?

And then there are pensions. Baby boomers could largely count on their employer taking care of them in retirement. Millennials who don't work for the government can barely convince their employers to contribute a little cash to their RRSPs.

Simply put, it does kind of stink to be a young person starting out. This is exactly why you need to seize the opportunity presented to you today.

Pour every nickel into the stock market

One thing has definitely improved over the last 30 years: it's now incredibly easy for the average person to intelligently invest in stocks.

The only passive-investing option available in 1985 was a mutual fund. Back then, mutual funds were an even crummier deal than they are today. Ongoing management fees often exceeded 3% per year, while investors who had the audacity to take their cash out after only a year or two were dinged with massive deferred sales charges. Imagine having to pay a 7% penalty just to access your own money!

Things are much better today. Anyone with an online brokerage account can cheaply buy and sell exchange-traded funds, which have all the diversification benefits without the outrageous fees. The **iShares S&P TSX 60 Index Fund** ([TSX:XIU](#)) gives investors a portfolio of Canada's 60 largest companies for a management fee of just 0.18%. You'll pay just 18 cents a year in management fees for every \$100 invested.

There's another very good reason to get into stocks today: opportunity costs.

Simply put, the average millennial can't afford to put off investing. They must get their money to work now and let compounding do its magic.

Say five years ago you managed to scrape together \$10,000 and invest it in the **iShares S&P TSX Capped Cmpst Indx Fnd** ([TSX:XIC](#)), which tracks the TSX Composite, Canada's benchmark stock index. That investment today would be worth \$14,817 — an 8.18% annual return. A similar investment earning 1.5% in a GIC would now be worth \$10,772.

Over 40 years, \$10,000 invested earning 8.18% annually ends up growing into a nest egg worth \$232,209. An investment earning 1.5% a year turns into \$18,140.

I won't sugarcoat it. Stocks won't just go up 8.18% a year. Those returns will be lumpy, meaning they might decrease 20% one year and then go up 30% the next. It won't be an entirely smooth ride. But as long as you don't panic and sell at the bottom, it'll be fine.

The bottom line

Millennials, pay attention. You can't afford to *not* buy stocks. Without the excess returns generated by equities, most of you won't be able to afford to retire.

The time to invest is now. Compound interest truly is a miracle, but only if you give it ample time to work. Every year you avoid investing is just robbing from your future self. So, put all the money you can to work today. You'll thank yourself later.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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2. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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