2 Things Every Young Investor Needs to Do

Description

Millennials have a tough financial road ahead of them. The most educated generation in history will not have the job security and pension plans of previous generations. In addition, they witnessed their parents, friends, and relatives lose a significant portion of their savings in 2008 and have taken on significant levels of debt to obtain university educations. With these struggles in mind, how can millennials take charge of their financial future?

I can answer the question in one word: investing.

Investing allows your money to work for you and create wealth. It may seem intimidating at first, but it's necessary if you want to obtain financial freedom.

Here are two tips to increase your chances of investing success.

Use registered investment accounts

The greatest gift the Canadian government has given investors is the TFSA and RRSP. Both accounts allow investors to accumulate their earnings on a tax-free basis. Therefore, investors can harness the power of compounding interest without worrying about the government eating away at their returns.

Although both accounts offer tax-free growth, the rules and characteristics of each account are quite different. I recommend opening your first brokerage account through a TFSA. It provides more flexibility and allows you to withdraw the funds at any time. It's the ideal spot for an investor to keep their emergency fund.

Once you've entered a higher tax bracket, investors should begin contributing to an RRSP. It allows investors to defer the taxes they pay until they withdraw the funds at retirement. In addition, once the money is put into the account, it can be taken out until retirement without serious tax consequences, unless it's being used for your first home or for school. Therefore, the RRSP prevents investors from dipping into their savings, unless it's for good reason.

It's critical that young investors use both of these accounts. Both provide significant benefits to investors, and it's important that they use both to buy and hold shares in fantastic companies such as **CCL Industries** (TSX:CCL.B).

Stash away "free money"

Isn't it a great feeling when the government sends you an HST cheque or your income tax refund? It's money that you didn't plan to have or necessarily need; therefore, the initial thought is to spend it on something that will only provide cheap thrills. However, if you are serious about reaching your financial goals, millennials need to be stashing away their "free money."

When you're investing, you're putting away money that you don't need immediately. Therefore, when you receive "free money," the best thing you can do is put it into the market and make it work for you. This will help accelerate your returns and also prevent poor spending habits.

Foolish bottom line

Not only do young investors need to invest in the stock market, but they need to invest in themselves. They need to use resources such as Fool to equip themselves with the knowledge required to obtain financial freedom. No one is going to hand it to you; therefore, it's critical that millennials continually better themselves and seek higher knowledge.

Financial success won't come over night, but by implementing the tips above and continually investing in the market and in yourself, your chances of success will be significantly higher.

Stay Foolish, my friends.

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TICKERS GLOBAL

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