Many Millennials Are Afraid to Invest: Here’s Why This Is a Serious Problem

Description

Millennials are feeling less confident in investing and money in recent years. But really, who can blame them?

Many millennials graduated into one of the worst recessions in since the Great Depression. The Financial Crisis was nasty, as many jobs were lost, and hard-earned dollars invested in the markets suddenly went up in smoke (for those who chose to sell).

This horrifying recession also came less than a decade after the dot-com bubble, which left many millennials with a bad taste in their mouth in the early stages of their lives.

Too many millennials aren’t investing, and those who are are fearful

In a study commissioned by **Wells Fargo**, over 20% of millennials said that they would “never invest in the markets” and over 53% said that they would “never feel comfortable investing in the markets.” This survey included over 1,700 millennials between the ages of 20 and 36 and had the aim to gather their thoughts regarding the markets and financial literacy in general.

Although millennials are very well educated, many of them lack financial literacy and have grown to distrust the markets.

A fifth of millennials will never invest in the markets and over half will never have a good night’s sleep if they have money in the markets!

This is a big problem, considering many of these millennials who choose not to invest will probably jeopardize their retirements. As the average life expectancy increases, millennials are going to need more for retirement, and if they never invest in the markets, the fear of not having enough for retirement will become a reality.

What are millennials afraid of?

Millennials are afraid that the next market crash will wipe out their savings — yet again. The next market crash is coming; nobody knows when this will be, but it could be as disastrous as the Financial Crisis.

This is why many millennials are opting to not invest at all, but I believe this is a costly mistake, since those who choose to hold on through harsh times will eventually make it out without realizing losses.

Unfortunately, during economic downturns, money becomes tight, and sometimes this is what causes investors to sell their stocks at massive losses. That’s why you should only invest what you have no intention of touching! Because when times get tough, you should at least have time to ride the rebound.

How risk-adverse millennials can get on the right track with a low-risk portfolio

Many millennials may still be traumatized by the crashes from the last decade, and, as a result, they're ridiculously risk-adverse when they should be taking more risks while they're young.

For these types of cautious, young investors, it may be a wise move to gradually dip a toe in the investing waters with defensive dividend stocks that many retirees favour for their relative safety.

Think about defensive income-paying stocks such as **Canadian Utilities Limited** (TSX:CU) or REITs such as **Canadian Apartment Properties REIT** (TSX:CAR.UN). If they're safe enough for a retiree who can't afford to realize major losses, they're certainly a good place to start for millennials who are fearful of market volatility.

The bountiful dividends will pad the volatility, and, best of all, they'll hold up better than most other securities during a financial meltdown.

Although investing like a retiree at a young age isn't the best strategy, it's certainly a terrific way to shed the fear of market volatility for those who were traumatized by the downturns from the last decade.

If you're one of these risk-adverse millennials, then you should strongly consider speaking with a financial advisor to gradually get some skin in the game while taking a "preservation of capital" approach.

Stay smart. Stay hungry. Stay Foolish.

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