You’ll Never Guess How Many Millennials Don’t Own Stocks

Description

On average, Generation X remains roughly 14% uninvested in stocks, and boomers are only 12% uninvested. Millennials, in contrast, are 19% uninvested. That means that almost a fifth of a whole generational cohort in Canada doesn’t own stocks today.

Bonds are all well and good, and it can’t be argued that they are a fairly safe option when it comes to investing, being well insulated against market stress. However, bonds do not appreciate as well as stocks do over time. An all-bond portfolio, for instance, will make you about 50% on average of what a finely tuned all-stock portfolio might accumulate over time.

At the end of the day, average millennial investors in bonds and property as well as other physical investments, but who have decided to leave stocks out of their portfolios, could find themselves at retirement age less well off than their peers to the tune of $100,000 and more.

What’s driving this fear of stocks?

One number: 2008. Or, should we say, one year. We don’t have to remind readers what went down during the financial crisis, but it might be pertinent to point out that the majority of millennials were between 18 and 25 when disaster struck. The U.S. stock market plummeted, with over 50% of its value obliterated by spring 2009. Stocks were dropped like hot cakes, and billions of dollars were withdrawn from the market, with knock-on effects worldwide. No wonder one in five millennials in Canada don’t own stocks today!

What sort of stocks should millennials buy?

There are two main plays for millennials today. High-growth stocks are one option and would suit those investors more willing to take a calculated risk in order to make large capital gains. An example would be **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC). It’s a leading pot stock, and while it’s currently overpriced with a P/B of 5.7 times book, it’s looking at a massive 70.3% expected annual growth in earnings.

Industry performance remains to be seen for pot stocks, but the potential market in Canada is huge.

Recent proposed changes to the Ontario market are likely to make for a more competitive outlook.

The other major investment style is passive income. This is what you want to go for if you are looking for dividends that can be paid straight into your TFSA or retirement funds. **Laurentian Bank of Canada** (TSX:LB) offers excellent value, discounted by 28% compared to its future cash flow value. It has perfect multiples: P/E of 8.1 times earnings, PEG of 0.8 times growth, and P/B of 0.9 times book.

It's not a growth stock, with a low 9.6% expected annual growth in earnings. However, it's a very healthy stock and pays a 5.63% dividend yield — just right for holding on to forever.

The bottom line

Millennials are advised to make the most of their TFSAs and to start padding out their RRSPs or RRIFs as soon as possible. As some analysts are eyeing market stressors with apprehension, and others still are openly calling for a recession, it might make sense to make hay while the sun shines, as the saying goes. There are a lot of stocks to choose from on the TSX and a range of investment styles to consider. Stay diversified, and add a mix of capital gains and dividend stocks to your portfolio for varied income types.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:WEED (Canopy Growth)

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