What's the Best Investing Strategy for Millennials?

Description

Millennials haven't been having an easy time this past decade. Hit by the late 2000s recession, many left university and entered a job market with few openings and even less room for advancement. Unpaid internships were common, and student debt levels reached unprecedented levels. Millennials living at home in their twenties became so widespread that they were labelled *"the Peter Pan generation."*

In light of this, it shouldn't come as a surprise that millennials aren't big on investing. According to a recent report, 25% of millennials hold their assets in cash compared to 19% of investors generally. This paints a picture of a generation that's not too eager to play the stock market.

That said, there are some stocks that have earned the affection of millennial investors. The stock trading app Robinhood–which has a large millennial user base–reported that **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) shares are among the most popular on its platform. Also popular among millennial Robinhood users are tech stocks and progressive companies like **Starbucks Corporation**.

Are millennial investors making the right choices?

I'll start by discussing risk/volatility.

Room for risk

In general, it's recommended that younger investors make more aggressive plays than their older counterparts. There are a number of reasons for this. Younger investors have more years ahead of them, so they can withstand more market corrections. They're farther away from retirement, so they don't need an immediate payoff. And they generally have less income to invest, so high returns are needed to offset the cost of trading fees.

In light of this, speculative growth stocks like Canopy might be perfect for millennials. For an older investor hoping to generate retirement income, that company's earnings problems may make it a bad play. For millennials looking for quick capital gains, however, it might be perfect.

Hedging bets

While younger investors have more room for risk than do their older counterparts, they shouldn't put all their eggs in one volatile basket. Even among investors who are decades from retirement, wild stock price fluctuations can lead to panic selling. Millennials should therefore practice diversification with a number of stocks/funds with different volatility levels. A strong income stock like **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) can be perfect. With a 3.8% dividend yield and 22.1% year-over-year earnings growth, it offers a combination of growth and income that's perfect for a millennial's RRSP.

Another investment that millennials could consider is **Toronto Dominion Bank** (TSX:TD)(NYSE:TD). TD Bank stock has a number of features that make it ideal for millennial investors. It has seen decent returns, up about 7% year-to-date and 18% over 12 months. It pays a solid dividend of 3.40% (at the time of this writing), which makes it a solid income play. And with a 30% profit margin and 12% year-over-year earnings growth, the underlying company has excellent financial health.

Bottom line

So far, millennials aren't too keen on investing, preferring to save and pay off student debt instead, but this may be a mistake. While everyone's situation is different, the long timeframe millennials have ahead of them makes a mixed growth/income portfolio preferable to the "savings account" approach many of them take. If you're a millennial with some extra money lying around, it might be a good time to speak to a financial advisor and get a portfolio.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SLF (Sun Life Financial Inc.)
4. TSX:TD (The Toronto-Dominion Bank)
5. TSX:WEED (Canopy Growth)

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