Millennials: The Best “FIRE” Stocks to Buy for Your TFSA Early Retirement Fund

Description

Everybody wants to retire early, but the millennial cohort is taking it to another level with the FIRE (financial independence, retire early) movement. While many members of older generational cohorts are skeptical over the idea of hanging up the skates well before hitting the age of 60, some brave folks have shown that the freedom to retire early is not only attainable, but it’s inevitable for young investors who can effectively leverage the power of compound interest over the long term.

I know it may be far-fetched for today’s 20-somethings to retire before the age of 50, but only until you fully understand the opportunity cost of choices made by prior generations, it becomes clear that early retirement for today’s young people isn’t solely for those with six-figure salaries or those who are extremely frugal.

Consider the path taken by prior generations. By the age of 30, most Baby Boomers (or Gen X’ers) have already gotten married, purchased a mid-to-high-end vehicle, had one (or two) child(ren), along with a multi-decade-long mortgage.

To past generations, these are major milestones of adulthood, and, as you’re probably aware, many millennials have delayed marriage, the house, the kids, the new Mercedes, and the like.

Why? They all come with high (and rising) opportunity costs, and although prior generations gave less consideration to interest rates, job market stability, and all the sort to live up to the life script that was essentially the same for everyone else at the time, the fact remains that today’s housing market and technological landscape is profoundly different.

Cars? There are more convenient (and cheaper) ride-hailing services. House? That comes with a high degree of risk and commitment, as we saw during the Financial Crisis. And while some millennials strive to have all major adulthood milestones by 30, many have decided, given the current less-favourable environment, that the opportunity costs are simply too high. Early retirement is probably more worthwhile given the more promiscuous state of the job market and the rising threat of job-crushing technological disruptors that bring a higher degree of unpredictability in the decades that lie ahead.

Simply put, millennials are playing the hand they've been dealt with in the best way possible. They've weighed the opportunity costs, and a large chunk of them have decided to go with the contrarian route of early retirement. The best way to save for an early retirement, I believe, is through strong businesses with a track record for above-average dividend growth.

Consider **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Intact Financial** (TSX:IFC), two of the most robust dividend-growth stocks on the entire TSX. Although the upfront dividends of TD Bank and Intact (3.6% and 2.7%, respectively) aren't anything to write home about, young investors have many years' worth of dividend growth ahead.

Today's millennials are about two (or less) decades away from retirement, and it's these dividend-growth stocks that will evolve into growing, reliable income payers down the road, and, unlike most other securities, with a high yield up front, dividend-growth stocks like TD Bank and Intact will likely continue clocking in high-single-digit or low-double-digit annual dividend hikes through their reliable cash flow streams, conservative payout ratios, and impeccable stewards, who continue to push for market-beating growth.

Based on historical averages, both TD Bank and Intact will have quadrupled or quintupled their yields based on today's invested principal in two decades from now. That means both TD Bank and Intact will sport double-digit yields based on today's invested principal, and this huge income stream will continue to grow, essentially granting you with a fair raise every single year. And the best part is, both stocks will continue to reward you with substantial capital gains in the process, but, of course, these will need to be paper gains if you desire to create that huge income stream that'll support you in your early retirement.

With both financial dividend-growth kings in your TFSA, the tax man won't be able to touch a penny of your dividends or gains, so you'll get the most out of tax-free compounding, a profound wealth-creating phenomenon that's difficult for many investors to fathom.

With all this in mind, FIRE is not only attainable, but it's inevitable for those who choose the path of freedom.

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