



## Millennials: How to Invest in Aurora Cannabis (TSX:ACB) for Your TFSA (the Proper Way)

### Description

In a previous piece, I shed light on [three common mistakes](#) that millennials may be guilty of when managing their own investments: being *too* conservative, not having enough dry powder on the sidelines, and di-worsification (or over-diversification). One mistake that I didn't mention in the piece was *too* aggressive with speculative securities or giving into the FOMO (fear of missing out) mentality.

Most portfolio managers would agree that younger investors like millennials should skew towards higher-growth equities over fixed-income securities. After all, millennials have a longer time horizon and the ability to recoup potential losses from a soured growth stock, an advantage that older generational cohorts lack. While finding the right balance of growth and safety is a common goal shared by many investors, based on my observations, a handful of millennials appear to be concocting the wrong mix of conservatism and aggression when it comes to their selection of securities.

### What types of securities are in this so-called “wrong mix” of offence and defence?

Speculation on extremely risky sexy, FOMO types of investments alongside hordes of cash or cash equivalents. Although in my prior piece, I noted that it's a mistake to not have enough cash on the sidelines, I should note that it's also undesirable for a young investor to hold too much cash (and/or cash equivalents), as it enables inflation to work its insidious purchase-power-destroying effects over time.

### What are millennials speculating on?

For example, consider the fact that [Aurora Cannabis](#) (TSX:ACB)(NYSE:ACB) was the top owned stock on Robinhood just a few weeks ago, a free brokerage app that's insanely popular among millennials, beating out other widely-owned stocks like **Apple**.

Many pundits would agree that the cannabis market is about as risky as it gets, with big booms, busts, and commentary about a potential industry-wide bubble burst that could be in the cards over the next few years.

While Aurora isn't a name to hold as a core holding in a retirement fund, the near-term upside potential behind the name can only be described as extremely compelling, especially for young investors who feel they've missed out on the massive gains posted by Aurora or other pot stocks over the last four years.

Now, Aurora probably isn't the next Bitcoin, as the opportunity in the international cannabis market is real and the disruptive potential is staggering. What millennials expect from highly speculative securities like Aurora, however, may not be in line with reality. Pot stocks like Aurora have taken off, and while Aurora may be seen as one the marijuana market's cheaper options, it's still subject to an alarmingly high level of unsystematic risk.

### **The rise of the millennial "extremist investor"**

Sure, a moonshot play like Aurora is worth betting on for those with disposable income, and an already diversified TFSA portfolio of actual investments, but given the potential confusion between what's considered speculation and an investment, millennials may be at risk of getting caught offside should marijuana stocks roll over, as slowed rate hikes make way for higher levels of inflation.

The millennials that played both extremes on the aggression and conservatism investment spectrum could find they'll get abysmal results over the long haul. It's these "extremist investors," those who own GICs, and bonds alongside pot stocks and Bitcoin in a TFSA, that should be in reliable, but "growthy" stocks for the long-term, rather than timing ins and outs of the hottest market industries with a subsection of their wealth, the rest of which being stored in non-productive or low-return "safe" assets.

### **Foolish takeaway**

With this in mind, Aurora Cannabis shouldn't be in your TFSA if you're what I described as an "extremist investor." If you've already got a majority of your TFSA funds in a diversified mix of equities, trusts and such and would like to take the plunge into marijuana with just a portion of this year's TFSA contributions, only then do you have my blessing to do so!

Stay hungry. Stay Foolish.

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**Date**

2025/08/27

**Date Created**

2019/02/14

**Author**

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