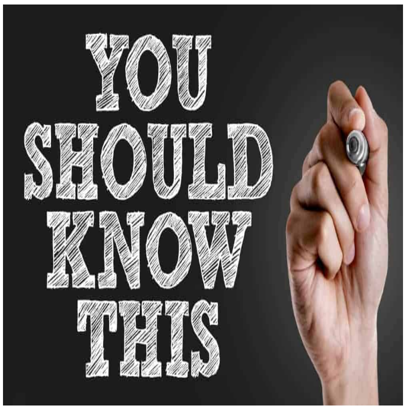

Millennials: How to Retire With $750,000 In Your TFSA or RRSP

Description

It's official: millennials are saving big for retirement. According to a recent Forbes story, 58% of new Roth IRAs (a U.S. retirement account) last year were opened by millennials. Although the young have long been stereotyped as saving-averse, we're seeing solid data that indicates that this is not the case. In fact, with the average age of millennials hovering around 30, this age cohort was over-represented among Roth IRA openers in 2018. The same basic trend is being mirrored in Canada, with Global News having reported that millennials now invest more of their earnings in RRSPs than any other generation.

If you're a millennial, there's a good chance you're starting to think about retirement. That's great! But before you start plowing money into stocks, bonds and mutual funds, there are a few principles to keep in mind. Yes, it's true, securities tend to beat cash over the long term. However, there's a serious risk of loss in any investing operation. The three principles below should help you stay on top of the markets, until you come out near retirement age with $750,000 or more in your TFSA or RRSP.

Buy what you know

The first principle every investor needs to keep in mind is "buy what you know." The more you understand a given stock or industry, the more you get a feel for what's going to happen to it, which increases your odds of buying the right thing at the right time.

Millennials are known for being somewhat more tech savvy than generations that came before them, which could translate into an 'edge' in tech investing. Tech stocks like **Shopify Inc** (TSX:SHOP)(NYSE:SHOP) are some of the best long-term gainers on the TSX, and millennials make up a huge percentage of their users and workers. With that kind of familiarity comes bankable knowledge.

Get in early

Millennials who are already saving for retirement would be wise to start investing that money early. Studies show that the earlier you begin investing, the bigger your long-term gains; $1000 invested at age 30 with a 10% annual return would be $17,000 by the time you turn 60. The same $1000 invested at age 40 at the same compound growth rate would only be $6700.

Additionally, investing early lets you take advantage of early stage high-growth stocks while they're still hot. **Lululemon** (NASDAQ:LULU) is up 200% in the past five years, but anybody who waits another 20 years to buy it probably won't see the same kind of return.

Practice dollar-cost averaging

Finally, millennials investing in stocks would be well advised to practice dollar-cost averaging.

Dollar-cost averaging is a strategy where you buy a stock at fixed intervals over time. By doing this, you minimize the effect of volatility on your investment and ensure that you're not habitually buying the top.

One stock that illustrates the wisdom of dollar-cost averaging is **Metro Inc** (TSX:MRU). Since the summer of 2016, its stock has swung up and down wildly. There have been many opportunities to profit from it, but if you'd bought in July 2016 you'd be basically flat today. If you took an initial position at that time and dollar-cost averaged, however, you'd have pocketed a nice return.

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