



## Millennials: 3 Reasons You Should Buy Stocks Over a Home

### Description

This is probably one of the worst times that have ever existed to buy a house in Canada, especially in the major centres. Politicians, baby boomers, and your friendly local real estate board are trying to convince you otherwise. But don't be fooled: gambling your future on one highly leveraged investment is a recipe for disaster.

It all starts from a simple premise. Changing mortgage rules will not make a home more affordable. Lower interest rates won't make a home affordable. Longer amortization won't make a home more affordable. There are really only two ways that will make it more affordable: having more money or waiting till houses become cheaper.

So, unless you have enough cash jingling around in your virtual wallet, you should buy stocks over a house any day of the week. I hope that after reading these three reasons, you will be able to make that clear choice.

### Reason #1: Stocks allow you to diversify

If you buy a home in most major centres in Canada today, you will be making the largest single leveraged bet of your life. This is not a diversified investment. For many of you, taking on that large amount of debt will be crippling. So much so, in fact, that you will likely be scraping by to meet your debt obligations. For the next 20-30 years, you will be struggling, stressing, to support this one investment you have made.

But what if something goes wrong? What if your roof leaks not once, but twice? What if your new baby has health problems? What if there is a recession and your job disappears? What if (no, this is impossible!) the housing market drops and your house is worth less than you owe? Well, in this case, the simple answer is, you're in a world of hurt.

But what if you took that cash and invested it in a basket of [dividend stocks](#)? A company like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is relatively stable and can be purchased for just around \$49 a share. **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) can be purchased for just under \$60 a share. Both have produced amazing returns for investors and can be purchased for the price of a few **Starbucks** coffees. Sure, you might have the occasional tough quarter, but at least you won't be homeless if you make the wrong choice.

## Reason # 2: Your home is a money pit. Stocks can actually pay you

There are many costs to owning a home beyond the initial down payment and the massive interest payments from the mortgage. Home repairs can be frequent and unexpected. Property taxes are significant and often rising. Unless you have college kids renting out all your spare rooms, your house is going to bury you in expenditures fast.

Compare that to owning a [dividend-paying](#) company like Fortis or BCE. Invest your cash in these companies, and you will earn stable yields of around 3.69% and 5.44% every three months. These yields also have long histories of growing each year, giving you more money as time goes on. Your dream home won't do that.

## Reason #3: There are alternatives

Canadians have an abnormally high rate of home ownership as compared to the rest of the world, with an abnormally high level of debt. Renting is a great way to save money. Your costs are known, and housing-related surprises are covered by your landlord.

"But I don't have any equity if I don't own. I throw away my money," is the battle cry of the over-mortgaged homeowner. Well, here's the thing. You're already throwing away money on taxes, repairs, mortgage interest, and much more. Pay your rent, then use your cash to build equity in cash-generating investments like Fortis and BCE.

## Don't buy a home you can't afford

Affordability doesn't mean a central bank or government helps you take on more debt, but rather comfortably buying the house of your dreams without becoming a mortgage slave. If you can't, stick to investing in stocks like Fortis and BCE and enjoy their cash-generating abilities. Who knows, maybe one day your cash will grow high enough or houses will crash to earth, and the dream of home ownership can be yours.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## **Category**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## **Tags**

1. Editor's Choice

## **Date**

2025/08/27

## **Date Created**

2019/03/15

## **Author**

krisknutson

default watermark

default watermark