
# Millennials: Stop Timing the Markets! Do This Instead to Get a Massive TFSA Nest Egg!

## Description



As younger investors, millennials should've most of the wealth in their TFSA invested in equities. Fixed income products, while conservative and insulated from market meltdowns, may seem like safe bets for those of us expecting the next big one. But it's important to remember that although it appears that there's no cost of hanging onto instruments with meagre real returns of 1% or less, there's actually a huge opportunity cost tacked on for young investors with multi-decade-long investment horizons.

The opportunity cost of sticking with bonds is huge. If there's no recession, you'll pay the price through sub-par returns and potentially years' worth of compounding that would have been possible through dividend reinvestment with common stocks. You see, betting on bonds as a young person is making a bet on the outcome of a contingent event within some time period. While it may make sense to hedge your bets with bonds as an older investor who's near retirement, young investors like millennials would be better off riding the ups and downs of any rollercoaster rides on the horizon.

You see, with a multi-decade time horizon, millennials will watch a potential crash come and go, but over the course of the extremely long-term (10+ years), being invested in stocks throughout would have been a much more profitable endeavour than attempting to time major market downturns.

A handful of millennials that I've spoken with are waiting for the next big recession before they start investing. They tell me they want to get in at the bottom and that a recession is coming as the American bull market is 10 years of age and is ready to lose its legs. Although 10 years is a long time to have a bull market, the arbitrary number is not indicative of a recession.

Heck, Australia's bull market has been going strong for well over two decades. If there's another 10-15 years of life left in this bull, bondholders will be kicking themselves over the missed gains the markets would have rewarded them with if they'd just held equities.

So instead of trying to time your entries and exits into the markets or relying on some so-called pundit's year-ahead market forecast, just stick with equities in your TFSA. Find the perfect blend of growth and defence with your holdings, and reinvest every penny of the dividends you'll receive, preferably in your favourite stocks after they've taken a dip.

**Canadian Utilities** (TSX:CU) is one example of a defensive dividend stock that a millennial should hold instead of bonds. The stock currently trades at a modest 16.4 forward P/E, and has a consistent track record of dividend increases.

While the regulated utility (with its near 5% yield) may be seen as a boring stalwart that's more suitable for an older person's portfolio, the fact remains that such a "steady eddie" income stock will serve as shocks for your portfolio when the markets inevitably become shaky.

Such stable, defensive dividend stocks with lower correlations to the broader market should be bond replacements for young investors that have a long-term time horizon. They'll be subject to lesser volatility compared to sexier stocks in a downturn, but more important, they'll keep rewarding you with reliable dividend payments that can build your TFSA cash pool, which you can put to work when those recessions inevitably occur.

## Foolish takeaway

Don't just wait for the next significant downturn to get started investing. You could be waiting for a very long time and therefore miss out on years' worth of gains that you'll never get back. In a TFSA, your capital gains are protected from the tax man, but if you don't strive to score such capital gains, you may not be using the TFSA effectively.



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