3 Steps I Think Millennials Should Take To Retire With A Million

Description

While the idea of making a million may sound like a pipe dream to some people, in reality the stock market could make it possible for almost anyone to generate a seven-figure portfolio. Certainly, it will not happen in a short space of time, but through investing in the right areas over the long run, it is possible for even modest amounts of capital to become a sizeable portfolio.

With that in mind, here are three areas that I think millennials should focus on when investing their hard-earned cash.

Start young

While investing may seem to be something that can be put off until later life, the reality is that the earlier the process starts, the better. Even what may appear to be modest sums of capital today can eventually become significant amounts that can have a major impact on an individual's financial standing in later life.

As such, it may be worth not only saving as much as possible each month, but investing it in the stock market. A good idea for new investors who perhaps may not have large amounts of capital could be a tracker fund. This provides a low-cost means to diversify – especially with online sharedealing being a relatively cheap means of investing.

Since a longer time period means that the impact of compounding will be greater, investing in a range of stocks at the start of an individual's career could prove to be a wise move.

Buy and hold

While assets such as Bitcoin may be exciting and potentially profitable, history shows that buy-and-hold investing has a strong track record of delivering high returns. Evidence of this can be seen in Warren Buffett's career. He was not a billionaire or even a millionaire when he started investing, but his ability to buy stocks and then hold them – sometimes without ever selling them – means that he has benefitted from the full potential of his holdings.

Buying a stock and holding for 5-10 years may not seem like an appealing way to generate wealth. However, the business world moves slowly, and it can take time for a company's strategy to deliver on its potential. The idea of generating high returns in a short space of time is risky, and can lead to significant losses.

The right sectors

As **Alibaba** founder Jack Ma famously stated in an interview, his competitive advantage versus peers is due to him thinking ten years ahead. He does not try and second-guess what will happen in the short run, but rather has a vision of how various industries could evolve over the long run.

For an investor, this could mean that they consider how a rising world population which is also ageing will impact on demand for healthcare, property and other goods and services. Or, they may wish to focus on the continued growth of emerging markets, with a variety of premium consumer goods likely to become increasingly affordable for a larger number of people.

Investing in long-term growth areas can help to catalyse a portfolio's returns. It also means that there may be value investing opportunities on offer that help to deliver a higher portfolio value in the long run.

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