Millennials: What's the "Golden Ticket" to a TFSA-Leveraged Early Retirement?

Description

You hear about the FIRE (financial independence, retire early) movement all the time. Young people in the millennial cohort are hanging up the skates from the workforce early, using their TFSAs as a means to earn a tax-free source of passive income.

For those who aren't fully ready to retire early, semi-retirement is also a trending topic among millennials who value flexibility and lifestyle over the daily nine-to-five grind.

Plenty of skeptics, including personal finance "expert" Suze Orman, have slammed the early retirement movement and is in the camp that thinks that most of the millennials pursuing early retirement are ill-prepared, perhaps even delusional.

"I can't wrap my brain around FIRE," said Orman in an interview conducted by *MarketWatch.* "I personally think it is the biggest mistake, financially speaking, you will ever, ever make in your lifetime."

Orman also said "I hate it!" no fewer than three times in the interview.

Yikes! That has got to be discouraging for the millennials who are keen on retirement or semi-retirement in their 20s or 30s.

While many of today's young people are overly optimistic with regards to the amount they'll need to cover day-to-day expenses and an emergency fund that's "fat" enough to cover unforeseen contingent expenses, I believe the FIRE movement is realistically attainable for those who are able to leverage the full power of tax-free compounding that's possible through a TFSA.

Many Canadians aren't using the TFSA properly, and that's the bane of young investors who don't plan to work until they're 60-something. With the TFSA, it's about time in the market, not timing the market. And the sooner millennials shed their fear of equities, the sooner they'll be on the path to early retirement.

Sure, FIRE seems far-fetched, but it's a realistic achievement for many of today's millennials who aren't burdened with student debt. Look at it this way: many millennials aren't buying homes, owning vehicles, getting married, or having children. Many of these expensive “achievements of adulthood” has been postponed or even cancelled in some instances.

As you’d imagine, not getting married, being burdened with a mortgage, or having kids means there’s going to be ample cash left over that’ll need to be put to work. And no, millennials aren’t spending it all on lattés and avocados, as some cheeky columnists think.

To put it simply, the millennials who don’t fit the traditional mould (no cars, no kids, no mortgage, etc.) either have or will soon have a cash hoard that’ll need to be put to work. And that’s where the TFSA can be a huge advantage to a generation that’s thought of as having been dealt a bad hand.

If you don’t own your home, car, and don’t have dependents, you can retire early. And with a TFSA and growth stocks, you may surprise yourself when it comes to your expected retirement date.

For those starting a TFSA early retirement fund, I’d suggest high-growth names like **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) on the dip.

While the cyclical maker of luxury parkas is economically sensitive and will go down come the next recession (which would ultimately push an early retirement out further), it is seen as one of the “growthiest” ways to grow your wealth over prolonged periods.

Now, if you’re gearing up for your early retirement, then you probably want to rotate into safer, higher-yielding securities. But I’m assuming that you’re looking to start your TFSA retirement fund. The best way to do this is to invest in strong hyper-growth stocks with a longer-term investment horizon.

Even after Canada Goose’s dip, it’s still not “cheap.”

While macro headwinds will undoubtedly dampen the near-term outlook (I think this assumption is already baked into the stock), I am bullish on the ridiculously high growth ceiling and the potential top-line growth that can be achieved as the Goose spreads its wings into new markets.

China has the potential to be a grand slam for Canada Goose over the long haul. Foreign brands are sought after in China, even more so for luxury foreign brands. As the Chinese middle class continues to swell in size, which boosts China’s aggregate disposable income, Canada Goose has a lot of room to fly even higher.

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