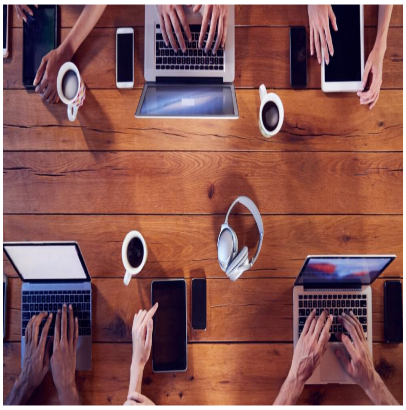

Half of Canadian Millennials Are Making This TFSA Mistake

Description

Millennials get a bad rap on a lot of fronts. The generation has been blamed for the destruction of businesses, the fall of the housing market, and — of course — cable television. What seems to be the problem is that millennials just don't have any money.

This is only partly true, however. In the past four decades, millennial salaries have increased by just $100 in Canada. Meanwhile, every other generation has seen a much more significant increase in salaries during that time; thus, it's not as if money is just flooding into millennial's pockets.

However, this has meant that millennials are being smarter with their money. That's why they live at home and are careful where they purchase products. It also means that this generation has learned to save.

It turns out that four out of five millennials have at least some savings put aside. In fact, three-quarters of millennials even put money aside every month. Whether that's to pay off student debts, move out of their mom's basement, or upgrade to Netflix isn't clear, but one thing certainly is: while that money is set aside, it certainly isn't set aside in an investment account.

And that's precisely what half of millennials are doing wrong. They have the funds set aside, but those funds aren't increasing one iota. About 70% of millennials blamed the debts they have to pay, the housing they desire, and other financial priorities as a barrier to investing.

About 60% said they just don't know anything about investing in the first place. That same group tended to believe that investing would be confusing, were afraid of losing the money they put aside, and didn't trust banks with their money.

But it doesn't have to be this way!

Whenever this topic comes up — and it does come up *a lot* — I consistently recommend to millennials to take at least some of those savings to tuck away in a tax-free savings account (TFSA).

TFSAs don't take any management fees, doesn't have the taxes that come with a registered retirement savings plan (RRSP), and people can invest in anything from super conservative to more aggressive growth.

If you're just starting out and want a safe option that should see both share and company growth over the long term, I would strongly consider **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

As Canada's largest bank by market capitalization, it has a solid foundation, which means it will be around for decades. Over that time, the company is likely to continue to see the strong growth witnessed over the past few decades.

This comes from the bank's recent expansion into the United States, and into the wealth and commercial management sectors. The expansion has offered investors some strong diversification, and highly lucrative gains that will continue to bring in revenue for decades more.

Meanwhile, shares are trading at a discount because of the incoming recession, with a potential upside of 12% just to reach fair value. While you wait, you'll receive a strong 4.22% dividend yield, meaning that you'll receive $4.20 per share per year from your investment that can be reinvested into your account. That's free money just for *choosing* this stock.

So while it's nice to think that your money is safe just quietly set aside, and that it's much scarier to invest, by choosing high-quality companies with a long history of share and earnings growth, you can be sure that over the long term, your bottom line will increase substantially.

With a TFSA, you can take out those funds at any time to pay off those financial priorities, so you might as well get some cash to go along with it.

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