Canadians: 3 Massive TFSA Mistakes You Could Be Making

Description

Millennials may get blamed for a lot, and while there are certainly some things that can be put on our generation, not saving cash isn't one of them. In fact, about half of millennials have at least some sort of savings set aside. But the main problem (and one I've written about before) is that nothing is being done with those savings.

Yet the problem goes further. Even for millennials who have set up a Tax-Free Savings Account (TFSA), there are a few common mistakes those investors are making that is setting them up for far lower returns. So let's take a look at them.

No plan

While half of millennials might have cash set aside in savings, they may not have any type of plan for saving regularly. One pretty standard idea is to take a percentage of each paycheque and put it into your savings account. If you put it into a TFSA, it can add up quickly since you don't have to worry about taxes. You'll be reinvesting every month and able to reevaluate your portfolio.

No goals

Why are you saving? It's a pretty simple question, yet many millennials have no answer beyond, "To make more money." But having an idea of what that money is for, and when, can have a big impact. If it's to pay off student loans, you might want to be more aggressive. If it's for a child's education, you will need it a fair bit sooner than you'll need your retirement savings, but not so soon that you can be extremely aggressive.

In any case, one of the investments you might want to consider is a banking stock. Right now is a great time to invest in this industry as the markets are down, meaning there's very little room to go but up. Given that the last recession saw Canadian banking stocks perform among the best in the world, and that this recession won't be as bad as the last one, I think banking stocks are a great bet at themoment.

One bank to consider is **The Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). This is a great choice for diversification as the bank is set up on an international scale. It's trading below fair value and offers a 4.96% dividend yield, only second among the Big Six Banks for highest dividend yield.

Too conservative

Finally, it's a mistake we inherited from our baby boomer parents: conservatism. Maybe not in politics necessarily, but definitely when it comes to investments. But that was then, this is now. If you're serious about seeing your returns grow, there are great choices that fall between GIC investments and risky cannabis stocks.

For example, choosing a stock like **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) is a great option right now. The stock is undervalued along with the rest of the oil and gas industry, but the company has a strong balance sheet. That's why famous investor Warren Buffett bought more of the stock back in February.

Suncor is a fully integrated oil company, which means that even during a downturn it can still produce strong returns. As soon as the industry rebounds, this stock should have no problem reaching its fair value, a potential upside of 50% as of writing.

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