Millennials: This Simple Financial Tip Could Change Your Life

**Description**

It's tough to be a young person in 2019.

Think about all the things a millennial has to go up against. A proper education is more expensive than ever, which results in many millenials having substantial student loans.



Baby boomers are stubbornly staying in top management positions even past the traditional retirement age, which means that many younger workers are still stuck in entry-level positions. And the ultra-expensive real estate in Canada's major cities is putting a major strain on budgets.

It's little wonder that many millennials are having problems getting ahead. The deck is stacked against them. Sure, their parents are doing everything they can to help, but often it's just not enough.

The good news is that I'm here to help. There's one mistake I see millennial investors making time and time again, something that will end up costing them many thousands of dollars over their lifetimes. Let's take a closer look to ensure you don't make the same error.

## Investing in… *what*?

It's often difficult for millennials to built up any savings at all. They're too busy trying to stay afloat, never mind get ahead.

But we have to give the generation credit. Despite the handicaps I mentioned above, many millennials are beginning to save. In fact, there are studies that say millennials are putting more aside for retirement than baby boomers were at an equivalent age. That's excellent progress and something to be celebrated.

The problem is how this capital is being put to work. I see far too many millennials who are ultra-conservative investors, which doesn't bode well for long-term returns.

One favourite millennial investing vehicle is the so-called high-interest savings account, a product that pays anywhere from 1% to 2.5% annually in interest.

While there's nothing wrong with putting savings you'll need to access sometime soon in these accounts — like the cash put aside for a down payment on a house, for instance — there's no reason why retirement savings should be in these accounts. It'll take a lot of saving to accumulate much of a nest egg getting such pitiful rates of return.

Here's what millennial investors should do instead.

## Own the banks, not bank accounts

Banks provide many services that aren't great for the financial well-being of the average Canadian.

It's easy to get an account with unlimited transactions, but be prepared to pay $20 or $30 a month for the privilege of spending your own money.

Your local bank branch will be happy to sell you a mutual fund, but the 2% management fee will impact your long-term returns in a big way, and Canada's largest banks are notorious for charging uninformed borrowers higher mortgage rates.



These might all be bad for individual folks trying to get ahead financially, but they're the basis of a great business. Rather than fight this trend, millennials should join it and invest in bank stocks.

My favourite Canadian bank stock today is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) for a variety of reasons.

The interesting part is that I'm not super excited about the company's Canadian operations, although I'll certainly admit they're pretty good. I just think other banks are doing a better job serving the domestic market today.

The bigger reason why I'm pumped about the stock long-term is its ever-growing international business, particularly in Latin America. Scotiabank has significant assets in places like Colombia, Chile, Peru, and Mexico.

Thanks to nice economic growth in the region and the company consolidating a fragmented banking system, earnings from these international operations are growing at 15% per year.

Bank of Nova Scotia also pays one of the best dividends in the sector; shares currently yield a robust 4.8%. That's already 2-3 times higher than a high-interest savings account, and the dividend has a history of growth behind it.

Just the dividends alone will supercharge your returns compared to safer investments. The capital gains are just a bonus.

## The bottom line

Many millennial investors are petrified of losing money; that's certainly understandable, especially given how difficult it is for these folks to save in the first place.

But that's the wrong approach to take. Owning the bank — rather than the bank's products — is one of the easiest ways to goose your investment returns. It might even be enough to make you a millionaire.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

**TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA



**Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

**Date**
2025/08/25
**Date Created**
2019/11/03
**Author**
nelsonpsmith