The TFSA Mistake That 57% of Canadian Millennials Are Making

Description

Millennials aren't buying homes, they're not getting married, they're not having children, they're not saving enough money, they're entitled, and they spend too much on those dreaded pieces of avocado toast! At least, that's what many folks within older generational cohorts (such as the Baby Boomers) seem to think.

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As you may be aware, many of the common millennial stereotypes are not only false; they fail to account for the unique challenges facing the generation, most notably the devastating impact of the Great Recession whose aftermath is still being felt by millennials to this day.

Add soaring student loan debt and skyrocketing housing prices into the equation, and it's not a mystery as to why many millennials are now quick to dismiss unsolicited (and probably outdated) advice from their Boomer parents.

While many millennials are delaying some of the significant milestones of adulthood (partially due to financial reasons and partly due to a change in generational norms), one thing that they're not delaying the accumulation of savings.

In a now two-year-old report conducted by the Ontario Securities Commission (OSC) on millennials, around 80% of millennials are saving.

However, approximately 53% are not investing, and 59% of said millennials cite a lack of understanding about investing as their primary reasons for not investing.

Now, the exact numbers may have changed slightly since the OSC report was initially published. Still, the premise remains the same — over half of millennials are surrendering their greatest wealth-creating edge. And that's the biggest concern that millennials *should* be receiving heat for.

Unlike Boomers, however, millennials can take on more risk to grow their wealth (free from tax within a Tax-Free Savings Account (TFSA)) over the next few decades. It's just their willingness to take on said risks that needs work.

Fortunately, the issue can be solved through the pursuit of educating oneself about investments. All it takes is a bit of interest or curiosity to begin the journey into the investment world.

It doesn’t need to be like pulling teeth. Heck, once investors understand more, investing and learning about investments can become ridiculously fun like it is for us Fools!

Sure, investing isn’t the friendliest game in town for beginners, and it can be difficult to trust an advisor who’s being paid a commission to sell you high-fee mutual fund products.

But through the power of the internet, there’s a wealth of free knowledge at the fingertips of Canadian millennials who care to make the effort.

In order to understand the magnitude of how rewarding educating oneself in investments is, one must recognize the full power to be had in tax-free compounding.

Once you know the power of compounding — the eighth wonder of the world — your interest in learning about investing will likely surge.

Consider a garden-variety blue-chip like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), a Steady Eddie dividend-payer that’s a go-to choice for many Canadian mutual funds, index funds, and retail investors.

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The bank has outperformed the **TSX Index** and will likely continue doing so thanks to its highly profitable business that has ridiculously high barriers to entry.

Banks have deep pockets, and the best-run ones, like TD Bank, tend to deliver outsized risk-adjusted returns over prolonged periods consistently.

TD Bank is best-in-breed with a management team that arguably has one of the most conservative loan books of the Big Six Canadian banks.

The bank’s lower-volatility earnings stream and more conservative practices don’t come at the expense of growth, thanks in big part to the competent managers running the show.

TD Bank sports a bountiful 3.8% dividend yield and as a best-in-breed player in the space is deserving of a premium multiple. At today’s levels, the stock can be bought for less of a premium than it’s sported in the past.

For those millennials looking for a long-term core holding to their TFSAs, TD Bank is a fantastic starter stock. And if you’re worried about losing money, just a few shares could get you on the fast-track to shedding your fear of investing.

Stay hungry. Stay Foolish.

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