



MILLENNIALS: Here's a Stress-Free Way to Start Investing in Stocks

Description

Are you a millennial looking to start investing in stocks?

If so, you've made a wise choice.

Investing prudently is the single best thing you can do with your money, and for younger people, stocks may be the single best investment available. For years, real estate was the cornerstone of most people's wealth as the largest investment the average person possessed. Now, however, real estate in many cities is becoming prohibitively expensive.

Perhaps you're not able to afford a home in Toronto on the money you're making now. That doesn't mean that you can't start building wealth. Stocks provide a way to begin investing *without* needing to borrow money or spend half a million dollars up front. Not only that, but they outperform all other asset classes over the long term.

If you're a millennial looking to harness the wealth building power of stocks, here are three stress-free steps to get started.

Step 1: Get your RRSP, TFSA, and brokerage accounts set up

Before even buying stocks, you need to have a place to hold them. This is called a brokerage account. Most banks offer brokerage services that give you U.S. and Canadian dollar accounts, along with a simple interface for buying and selling stocks.

But before you go out and open a brokerage account, remember to get your RRSPs and TFSAs set up first. These instruments provide a number of tax benefits. In the case of RRSPs, you get a tax deduction and tax-deferred growth. In the case of TFSAs, you get tax-free growth and withdrawals. You can place your brokerage accounts inside of these umbrella instruments and watch your investments grow tax-free. If you're just getting started investing, you'll want to open one of these accounts before you buy anything.

Step 2: Learn what to ignore

Before you buy any stocks, you need to know in clear terms what to *not* to buy. The tricky part is, it's often what's most talked about that most urgently needs to be avoided. Currently, the single most popular stock on the millennial-dominated trading app Robinhood is **Aurora Cannabis**. That's a trendy cannabis stock you may have heard about. Unfortunately, it has delivered [absolutely terrible returns this year](#), and the underlying business is losing enough money that these poor returns may continue.

In general, you want to avoid these trendy investments like cannabis and crypto if your goal is long-term wealth building. They can generate quick gains, but they can come crashing down just as hard.

Step 3: Buy low-risk stocks

Having established what you shouldn't do if you're looking for a stress-free way to invest, we can now state what you should do.

As it turns out, it's actually a corollary of the previous point: *buy low-risk stocks*.

The TSX abounds with safe blue-chip stocks that serve as a middle ground between the near-zero real returns of government bonds and the speculative madness of cannabis stocks.

If you're looking to buy individual stocks, utilities like **Fortis** can be wise choices.

However, if you want the very safest bet available, I'd advise against individual stocks and instead recommend you buy index ETFs like **iShares S&P/TSX Composite Index Fund** ([TSX:XIC](#)).

XIC is a highly diversified index ETF that tracks the S&P/TSX composite index. Heavily weighted in large blue-chip stocks, it's much safer than any individual stock you can buy.

XIC offers built-in diversification, so instead of painstakingly building positions in dozens of stocks, you can just buy XIC and [get hundreds of stocks](#) right away.

The fund offers fairly high dividend income; according to **BlackRock's** website, it has a forward yield of 3.3%. Forward-looking numbers like this aren't always reliable, but at any rate, the trailing yield was also not bad at 2.8%.

Finally, XIC has extremely low fees. Coming in at just 0.05%, you won't even notice them, and you'll make far more in dividends alone than will be taken out to pay the fund managers. All in all, it's a solid beginner investment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/07/23

Date Created

2019/12/03

Author

andrewbutton

default watermark

default watermark