Young Savers: 3 Simple Ways to Get Started With Stocks in Your TFSA

Description

To the uninitiated, investing in stocks may seem daunting. For most people, however, a stock investor is a risk-hungry gambler, spending countless hours hooked to multiple screens with flickering numbers and fancy charts.

But investing in stocks doesn't have to be an adventure. It could be a simple and relatively boring way for savers to add a few percentage points of return to their accumulated savings by picking stocks or funds that behave much like regular savings accounts. No fancy charts or expensive computers required.

Here are three ways young savers can get started with stock picking.

Index investing

By far the easiest and most effective way to invest in stocks is to simply *buy them all* in one neat package. Yes, certain funds take all the complication and trepidation out of the investment process by simply spreading their bets across every major company listed on the stock market.

While this method, sometimes called passive or index investing, may seem lazy, it's surprisingly effective. In fact, even Warren Buffett, the world's most famous investor, recommends this method for beginners.

Canadian investors can bet on the **iShares S&P/TSX 60 Index ETF**. This fund holds a basket of the country's 60 largest publicly traded companies and can be added to a tax-free savings account (TFSA) with a click of a button. Over the past 10 years, the ETF has delivered an annualized return of 7.2%.

Investing in what you know

Another great way to get started with stocks is to simply focus on industries you are familiar with. If you've worked in retail for a few years or have extensive knowledge about the banking industry, chances are you can make smarter choices about investing in stocks like **Dollarama** or **Royal Bank of Canada**

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It’s worth taking the time to see if your current employer is listed on the stock exchange and if you think the industry’s future prospects justify a long-term investment. Often, your experience in the industry will help you identify trends and shifts quicker than external financial experts.

Real estate trusts

One sector of the market that nearly everyone is familiar with is real estate. If you’re living by yourself, you’re either a renter or an owner, both of which should give you an idea about the basic framework for real estate investing.

If you’re familiar with the way real estate is valued, the rental yield in your neighborhood and the potential upside of property investments, you may want to take a closer look at real estate investment trusts (REITs). These trust funds own a portfolio of properties and collect rent, which is then paid out to the stock investors in the form of dividends.

In other words, REITs are like mutual funds focused on real estate. The most popular ones, like **RioCan** and **Choice Properties**, offer dividend yields ranging from 5.28% to 5.4%. Some specialized REITs like **Slate Retail** can offer yields as high as 8.9%.

Foolish takeaway

It’s never too late to dip your toes into the world of stock investing. For most beginners, the best way to start is to focus on industries they’re already familiar with, broad index funds that allow passive investments and real estate investment trusts that offer a safe and reliable source of regular income.

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