50% of Canadian Millennials Are Making This Serious TFSA Mistake

Description

"Millennials are not getting married! They are not buying homes! Millennials are an entitled generation."

There is so much that the baby boomer generation has to say about millennials. They are even blamed for the fall of the housing market, business slowdown, and so much more.

Contrary to what everybody says, millennials do not have much money. In the past four decades, millennials' salaries have increased by just $100 in Canada. Every generation before them has seen more substantial growth in their income.

When it comes to savings, four out of every five millennials have some savings set aside. Three out of four put aside money every month toward savings. While the generation is putting money aside for saving, millennials are not utilizing it as well as they can. They are using their savings to achieve a variety of goals, but half of the Canadian millennials are making the mistake of holding cash.

I am going to discuss how you can avoid making this mistake by investing in stocks like **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

The millennial misconception

A lot of millennials I have interacted with told me that they do not care or know much about the benefits of using an investment account. Instead of using their money to maximize their earnings, they are letting it go to waste by holding it in cash. Many millennials blame student debts, the housing market, and similar factors as to why they don't invest.

Most millennials are simply daunted by the idea of investment. They are confused about what it is as they think it might result in them losing the money they have put aside, and they do not trust banks with their money.

I think it does not need to be this way.

Tax-free earnings

Whenever I talk to millennials about financial matters, I urge them to consider using some of their savings to invest in stocks that they can hold in Tax-Free Savings Accounts (TFSAs). The TFSA is an account type where you do not need to pay management fees, it does not entail the taxes that come with RRSPs, and you can invest anything from super-conservative to more aggressive growth assets. It's all for you to decide.

If you are starting out and you feel like you should play it safe, I think RBC stock could be an ideal option to consider. With a market capitalization of $149.5 billion, RBC is Canada's most significant banking stock. The financial institution has been around for a very long time and continues to grow steadily.

In the past decade, the share price for RBC has grown by more than 200%, and the bank looks poised to grow further. RBC's expansion into the U.S. means that it has the potential for more significant gains in the coming decades. Aside from the capital gains, you can earn from holding the stock in your TFSA. You also stand to earn dividend income at a yield of 4.06% as a shareholder.

Foolish takeaway

There is plenty of potential for RBC to grow. The incoming recession might slow down the stock's growth for a little while, but its dividend payouts will help you keep earning more cash in your TFSA. I think RBC could be a serious contender as a stock you should buy and hold in your TFSA to help you get a safe start to understanding and enjoying the benefits of investment.

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