Millennials: Benefit From This Moratorium on Student Loan Payments in 2020

Description

The coronavirus pandemic has sent consumer spending spiralling downward. The drastic fall in demand has driven recession fears higher. Unemployment rates are expected to touch record levels as businesses are winding up due to global lockdown measures implemented in these turbulent times.

Yesterday, several reports stated that over 3.3 million people in the United States have claimed unemployment benefits, which was the highest ever figure and beating the previous record of 695,000 back in 1982.

It might very well be the tip of the iceberg as non-essential businesses continue to shut down. Several economists are also predicting a severe recession that will impact major global economies. Governments are hence stepping in and implementing economic measures to boost their dwindling economies.

Last week, the Government of Canada outlined a slew of measures to stabilize the economy that has been hit hard by the COVID-19. Prime Minister Justin Trudeau announced an $83 billion plan to support individuals, families and businesses.

While $27 billion will directly be given to workers and businesses, $55 billion has been allocated to meet the liquidity needs of residents. These measures will ensure that Canadians are in a position to pay for rent and groceries while helping businesses to pay their employees and pending bills at an uncertain time.

The Canadian government stated, “Canadians should not make health decisions based on their financial needs. As the situation continues to evolve, further measures will be announced to support Canadians, stimulate the economy, and protect peoples’ jobs and livelihoods.”

Millennials will get a temporary breather from student loan interest payments

One of these economic measures is targeted to benefit the student community. The Canadian government is implementing a six-month, interest-free moratorium on student loan payments for all individuals who are in the process of repaying these loans.

According to a *National Observer* report, Canada's total student debt at the end of 2018 stood at $28 billion, of which $19 billion was owed to the federal government. The average debt per student stands at $26,819 and this figure is about 4.5% higher for students in Ontario and Atlantic Canada.

Student debt has touch record levels over the years and has long been a burden on the Canadian millennials.

Millennials can invest in beaten-down growth stocks

For investors with a long-term investing horizon, the ongoing bear market provides a good opportunity to buy growth stocks such as **Aritzia** (TSX:ATZ) at a cheaper valuation. Aritzia is a Canada-based fashion retailer of exclusive brands. The company designs apparel and accessories for its collection of brands and sells them under the Aritzia banner.

The equity markets have been pummeled since February 19 this year as the number of COVID-19 cases has crossed 500,000 globally. Aritzia will also experience a decline in top-line growth for 2020 as consumers will delay non-essential purchases this year.

Aritzia stock is trading at $13.13, which is 50% below its record high of $26.37. The company managed to increase sales from $667 million in 2017 to $874 million in 2019. According to consensus estimates, sales are estimated to reach $1.21 billion in 2022.

Aritzia is also expected to increase its EBITDA from $118 million in 2017 to $267 million in 2022. With no debt, the company can easily reinvest its profits into growth opportunities and customer acquisition.

While these estimates might be revised lower for 2020, Aritzia is likely to benefit from Canada's growing e-commerce market in the next decade.

Growth stocks have created massive wealth for investors over the years. Due to their high valuation, these stocks underperform the broader market in a sell-off. However, they also crush market returns on a rebound.

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