

Millennial Couples: Opportunity of a Decade to Invest for Your Future!

Description

The 2020 market crash is the opportunity of a decade to invest for your future. For example, the big Canadian banks are celebrated as some of the most profitable businesses in the country. Despite the disruptions caused by COVID-19 internationally in the geographies they operate, they are still profitable.

The same can't be said for many other businesses.

How much are millennial couples earning?

Initially, the savings rate is important, because you need money to make money. As your investment portfolio grows, you can rely more on your investments to grow your net worth versus your savings rate.

Millennials are between 24 and 39 years old this year. According to Statistics Canada, Canadians between 25 to 34 years earned [a median total income](#) of \$39,500 in 2018, including \$200 of investment income. After adjusting for inflation, those amounts would be \$40,211 and \$203.60, respectively, this year.

Shockingly, this means that of their total income, millennials are only earning 0.5% from investment income. You can do better than that!

Between a millennial couple, the household income would be \$80,422 based on the median income. Let's say, they're able to save and invest even just 10% of that, which is \$8,042 a year.

On a 6% yield, which is entirely possible due to the market crash, couples can already earn \$482 of investment income a year. That's already 18% better than the \$203.60 from the roughly matching age group described earlier.

Typically, as people gain more experience in their career, they will earn more. In any case, the more a millennial couple can save and invest *earlier on*, the less money they need to contribute down the road to reach their financial goals.

The Canadian bank stocks haven't been this cheap for a decade!

Banks aren't the only stocks that are cheap. But their dirt-cheap valuations surely stand out.

Particularly, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) provides our [targeted yield](#) of 6% with great value.

The stock is down 22% from earlier this year. Indeed, there are significant impacts from COVID-19 in

the near term. This is reflected in BNS stock's fiscal Q2 results that it reported this week.

For example, it had a big cut in its net income due to provision for credit losses doubling year over year. As a result, its adjusted earnings per share of \$1.04 was down 39% from the quarter a year ago. Similarly, its return on equity (or net income divided by total equity) also got a big shave; it was 8.2% versus 13.6% from the year-ago quarter.

Therefore, the international bank's payout ratio temporarily jumped to about 87% for the quarter compared to its usual payout ratio of about 50%.

It's during these economic turmoil times that we can buy quality BNS stock at a *huge* discount. In a normalized economy, the stock can trade at about \$83 based on a normal price-to-earnings multiple of roughly 11.7, which implies BNS stock is on sale with a discount of more than 30%. Additionally, it offers a nice yield of almost 6.3%.

The Foolish takeaway

Many stocks are still cheap from the 2020 market crash. Millennial couples should take the once-in-a-decade opportunity to invest in quality stocks to achieve their financial goals faster.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date

2025/07/29

Date Created

2020/05/31

Author
kayng

default watermark

default watermark