Millennials: Erase Your Debt by Doing This!

Description

Millennials are significantly in debt — that's a fact. This generation has the highest debt-to-income ratio at a whopping 216% as of writing. What that means is for every paycheque a millennial earns, more than double it should go toward debt. This is why so many millennials have been stuck living at home when their parents were out the door, had a job, a kid, and a mortgage by the same age.

Unfortunately, today that's just not the case. Add to that how millennials are far more likely to receive higher education, and that just adds onto the debt load.

Oh, and did I mention that on average, millennials receive a salary that's grown by just $400 in the last four decades? All of this just adds on to the heaping pile of stinking debt every millennial is likely to have.

What to do?

So now that you're completely depressed, there is of course a solution. But it's not the obvious choice. In fact, millennials are incredibly good at one thing: saving. About 80% of millennials say they have at least $5,000 saved away in cash. That's great! But one problem: why cash?

Here's what most millennials are thinking. If I keep it in cash, my money is save. No risk, no loss. But that also means no reward. When it comes to investing, you can have the reward while keeping risk to a minimum. And that minimum that is likely to be even less than what a millennial will have to report on taxes since they just have a pile of cash lying around needing to be declared.

The solution? Dividend stocks…

That's right, buying up stocks is your best way to pay down debt. Look at it this way: dividend stocks give you income that can be used toward your debt, which will leave you saving even more money now that you have a guaranteed income stream being put towards your debts.

That will leave you with the ability to save for other things besides debt, like that house, car, and kid. Oh, and to finally move out of your parents' house of course. So what's the best option? For my money and sanity, I would go for one of the Big Six Banks.

Banks are likely to dip significantly only when the entire economy is doing badly, like right now. But that means that now is also a great time to buy. When the next dip comes, your investment is highly unlikely to fall below what you originally purchased the shares for, so even if you had to sell, you would still make quite the profit.

Meanwhile, banks offer stable dividends and the Big Six Banks have for decades. Right now, if you want significant dividend income, I would go with the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). This bank offers the highest dividend of the Big Six at 6.44%, or $5.84 per share per year.

If you take that $5,000 you put away and put it toward CIBC, you would bring in $315.36 per year as of writing, or $78.84 per month. The more you put toward CIBC, the more dividends you receive.

Another option is to then make automatic payments (like with your debt payments) to CIBC in your Tax-Free Savings Account (TFSA). If you were to put $400 into your account each month, in a decade you would have turned your $5,000 investment into $68,518.36 with dividends reinvested.

That should definitely help cover those debts.

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