Gen Z: it’s Time to Open a TFSA and Start Investing!

Description

Generation Z is coming of age. According to *Pew Research*, the oldest members of the Gen Z age cohort are 23. That’s young, but old enough to seriously consider investing. Studies show that the longer you stay in the markets, the greater your ultimate return.

Stocks have a long-term tendency to rise, so starting earlier means more gains. There will be lots of ups and downs along the way, but by holding stocks long term, your portfolio should perform well.

What’s even better is if you hold stocks in a Tax-Free Savings Account (TFSA). When you hold stocks in a TFSA, you pay no taxes on them, and you can withdraw all of your investment proceeds tax-free. This is in contrast to an RRSP, where you have to pay taxes once you withdraw your money.

By holding stocks in a TFSA, you maximize your return through tax savings. Before you do that, though, you need to be clear about what you’re going to invest in.

“Buy what you know”

“Buy what you know” is a concept popularized by the famous investor Peter Lynch, a mutual funds manager who achieved an average return of 29.2% annualized. He said that buy buying shares in companies you understand well, you can outperform financial experts who may not understand the dynamics of the industries they invest in.

For Gen Z, that maxim might imply an edge when investing in tech stocks.

Gen Z is one of the most tech-savvy generations yet. Having come of age with the internet and cell phones in wide use, they’re comfortable and familiar with modern technology. This could be a great asset when investing in tech.

Take a stock like **Shopify Inc** (TSX:SHOP)(NYSE:SHOP) for example. This is one stock that many Gen Z investors will be familiar with. Over the last five years, Shopify has performed brilliantly, thanksto its red-hot revenue growth and strong publicity.

As a member of Gen Z, you may know more about a company like Shopify than your parents–or even older siblings–did. According to *Trend.io,* Gen Z members spend 8.7% of their income online compared to just 5.3% for millennials. If you're one of them, this could give you "on the ground" insights about a company like Shopify other demographics might lack.

For example, you may know when your friends and colleagues are spending a lot of their money at Shopify stores, a ground-level observation that financial data can't capture. Such insights could help inform your investments in stocks like SHOP.

This isn't to say that you should buy Shopify stock, simply that you may have a hidden advantage when it comes to understanding it. That, in turn, could help inform your investment decisions.

Where the TFSA comes into it

Once you've decided what you want to invest in, the next step is deciding where to hold your investments.

This is where the TFSA comes into play.

The TFSA is a tax-free account that lets you avoid all taxes on your investments. That includes dividend taxes, capital gains taxes, and taxes on withdrawals. As long as you hold approved investments and don't contribute past the maximum, you'll pay no taxes on TFSA stocks.

Over the long term, stocks tend to rise, but taxes can take a big bite out of your returns. In a TFSA, any return you realize is a return you get to keep.

Thus, building up a TFSA portfolio now, when you're still young, is a great way to maximize your long-term gains.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

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Date
2025/09/17
Date Created
2020/06/12
Author
andrewbutton