Millennials: Start Cashing in on Retirement RIGHT NOW!

Description

Millennials have had a rough go. I don't just mean during the pandemic, though that's true. Millennials have had a rough go since the moment they were born. Millennials were born into a recession, graduated during another recession, and are now trying to start careers and families during an economic downturn and pandemic to boot.

So granted, right now if there is any way you can bring in extra cash, you should do it! Of course, there's the Tax-Free Savings Account (TFSA) you should consider. While only about half of millennials have a TFSA, most millennials have about $20,000 in savings set aside.

But if you're able, there's certainly a way to bring in cash during a downturn.

The RRSP trick

Here's the thing, if you're struggling right now and need the cash, you may have already been putting money aside in your Registered Retirement Savings Plan (RRSP). If you want to keep your TFSA safe for a rainy day, then you could potentially turn to the RRSP for extra cash.

Here is what you have to consider. The RRSP is taxable income. However, if you're bringing in lower income it might be a good time to take out at least some of that cash. There is absolutely no restriction to when you can take out cash, as long as you're not in a locked-in plan. Who knows, you could retire at 40 for all the Canada Revenue Agency (CRA) cares!

The withdrawal is, however, subject to a withholding tax, and must be included in your tax return. But if you're making much lower than you would normally, whether that's due to layoffs, working from home, whatever, you could bring your taxes far lower than any other year.

There are situations when you could make tax-deferred withdrawals from the RRSP that apply to millennials. If you're looking to buy a home for the first time, you could use some of those funds to withdraw through the Home Buyers' Plan. You could also use that money if you're looking to fund your education through the Lifelong Learning Plan. These plans aren't attached to any age, just when you decide to use it. Those can be withdrawn as “loans,” and won’t be considered income and won’t have to pay tax.

What to do with that cash

If you need the cash, you may also need to pay down debt and provide yourself with some kind of income during these trying times. However, if you are able to put some of it aside, you can invest in dividend stocks that will continue to bring in passive income for years.

If you transfer those RRSP funds into your TFSA, you can then create tax-free revenue from a stock like **Brookfield Property Partners LP** (TSX:BPY.UN). This company is a subsidiary of Brookfield Property REIT, with about $88 billion in total assets. The company owns and operates everything from offices and hospitality, to storage and student housing around the world. Shares are still far lower than pre-crash levels, leaving plenty of room for growth.

Meanwhile, you can take advantage of the company’s 10.23% dividend yield! That kind of yield is unheard of right now, but this one is safe. That’s because the company is backed by Brookfield’s business. So you could be bringing in even more cash while you wait for the markets to recover, and your income to return to normal.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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1. Business Insider
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