Millennials: Forget YOLO Stocks. Buy These Instead

Description

Millennials worldwide watched the share price of the U.S. retail chain **GameStop** (NYSE:GME) soar 1,915% from January 4 to January 27, 2021. An army of small investors was challenging hedge funds at Wall Street. Suddenly, the younger generation is looking for YOLO (you only live once) stocks to make substantial returns.

Most millennials also have a fear of missing out (FOMO). They want to join the party to make easy money while a stock's momentum remains. The tendency is to go with the flow and go all out on YOLO stocks. However, if you're trying your hand at the stock market for this first time, it isn't the best strategy .

The pitfall

You're likely to lose money if you're a novice or inexperienced investor who jumps onto trends without understanding the risks. Because you only live once, you want to hop along for the ride like your peers. You must have a knowledge base before putting money in the stock market.

Also, stock investing requires a reasonable skill set. Carefully evaluate the investment prospect first before executing a trade. After peaking to US$347.51, GameStop shares dropped 88% to US$40.59 on February 19, 2021. It indicates that the spikes and dips of a YOLO stock are abnormal.

Retail investors swarmed the free-trading app Robinhood to take part in the action. The app targets young people new to investing. Unfortunately, Robinhood offers very little research or resources for newbies to make sound investment decisions.

Advice to millennials

It's nice to see young Canadian investors learning to invest in the stock market. However, avoid YOLO trades if you can't afford to lose the money. Please don't buy a stock because people are talking about it on social media. Also, it's dangerous to invest if the reason is that a friend or someone you know owns the stock.

Strange things happen in the stock market, especially with highly volatile names like GameStop. No one can predict the stock market behaviour in the short term. A 1,000%-plus return is enticing if you see a post on social media. The danger is that it starts a feeding frenzy.

Grow wealth over time

Remember that growing wealth takes time. If you were to invest today, your money is safer with **Telus** (TSX:T)(NYSE:TU). Millennials are familiar with telecommunications companies and the nature of the business. The $34.24 billion company is the second largest in Canada's telco industry.

As of April 1, 2021, the share price is $25.39. The stock is up by only 2% year to date, although analysts forecast the stock to climb 34% to $34 in the next 12 months. Since Telus is a dividend stock, there's passive income on top of the capital gains.

The current dividend yield is a juicy 4.9%. Assuming you invest $6,000, the dividend payout is $294. In a Tax-Free Savings Account, your earnings are tax-free. The income could also last for years.

Unlike GameStop, Telus is a no-nonsense investment. The company is raising $1.3 billion to fast-track the 5G wireless network's rollout across Canada. It will use some of the funds to expand its fibre-optic broadband network. Last, the telco stock is recession-resistant. Telus can endure economic downturns.

More harm than good

The YOLO and FOMO feelings can harm millennials financially if they can't contain them. It would be best to pick safe assets than throw money on high-risk stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GME (GameStop Corp.)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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