Millennials: 4 Tips to Start Investing Today!

Description

Millennials may be great at saving money, but they have to. This age group hasn't seen a collective boost in average income in decades. They also are drowning in debt, with the average debt-to-income ratio sitting at a whopping 216%, according to StatsCan. And while salaries haven't gone up, everything else has: inflation, mortgages, university costs — you name it. So, it's no wonder that millennials find it incredibly hard to start investing.

But it's not impossible. Here are some tips to get started.

1. Build your credit

While this may not sound investing related, building your credit score is incredibly important. If you want to own a house one day, you're going to need something to prove that you can make those payments. Opening up a credit card as soon as possible and paying it down to $0 regularly will lead to lower interest rates. That, in turn, will save you significant sums of money — money that can be used for investing.

I would look into credit cards that offer cash back and use it for *everything*. Bills, flights, you name it. If you have to pay for it, most places will accept your credit card. Most of the Big Six banks offer these, and it means that every time you pay with your credit card, you'll get literal cash back. You can use this to buy items, or even to pay off your credit card! Just make sure you pay it off regularly so that you're building your credit score and not damaging it and avoiding seriously high interest rates.

2. Open a TFSA!

It's shocking to me how many Canadians still aren't taking advantage of the Tax-Free Savings Account (TFSA). Since 2009, the government has added thousands in contribution room for Canadians to invest tax free. You don't have to claim any returns made through your TFSA. You can simply invest where you want and take out the cash when you need it all tax free.

As of this year, Canadians have $75,500 of contribution room, unless you've already started investing. If so, make sure to check your MyAccount on the Canada Revenue Agency (CRA) website, or simply call the CRA directly.

3. Invest what you can

I don't mean invest the highest amount that you can; simply invest what is affordable to you right now. You can figure this out in a few ways. The easiest place to start is by putting 10% of each paycheque aside for investing. If you find that's too much, simply bring it down from there.

The other way you can do this is by creating a budget. This obviously has a number of benefits. You can now figure out how much you're spending on things you don't need and figure out exactly how much you can afford without stretching your finances. Even if you can only afford $5 into your TFSA each month, who cares? That's not zero and will add up to $60 at the end of the year.

4. Set some goals

What do you want to do in life? Where do you want to be in five, 10, 20 years? These are thoughts that every investor needs to ponder before making any investment. If you're a millennial who wants to retire in the next 30 years, you want your investment goals to match that. But it's absolutely doable, because you have something many others don't: time!

So, let's say you invested with one of the Big Six banks. This is a stable option that offers you practically guaranteed returns over the next three decades, with dividends to boot. If you chose **Royal Bank of Canada** (TSX:RY)(NYSE:RY) for example, this bank has a 3.69% dividend yield that risen at a compound annual growth rate (CAGR) of 8% over the last decade, and shares rose at a 11.3% CAGR during that time.

Bottom line

Let's say you make $50,000 per year and followed the 10% rule. You would then have $5,000 to invest. If you never receive a promotion (ouch) and put that same amount away for the next 30 years, reinvesting the dividends, in 30 years you would have a TFSA portfolio worth $27,001,750.18!

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