Millennials: How You Can Achieve Financial Freedom

Description

Many opportunities are available for millennials today compared to 30 years ago. The advent of the internet provides easy access to information, such that you can learn anything you want from coding to managing your finances. You can also build businesses online for a fraction of the cost versus having a physical office or store.

Every path towards financial freedom requires initial work upfront. One way that can help millennials achieve financial freedom is by building their own dividend stock portfolio.

Low interest rates aren't helpful

We're in an environment of ultra-low interest rates. Putting savings in riskless GICs for interest income is nowhere near desirable. The best one-year GIC rate is 1.4% while a five-year one is 2.1%.

If you need the money a year later, it may make sense to put your savings in a GIC. However, if you're planning to lock your money in for five years to boost the yield a little, think again.

A 2.1% rate of return is just enough to roughly maintain your purchasing power according to the Bank of Canada's goal to sustain the long-term inflation rate at approximately 2%.

Low interest rates won't help you achieve financial freedom unless you earn a high active income and can save a big portion of it.

Achieving financial freedom could mean earning enough passive income from your investments without having to work. To attain financial freedom sooner, forget about GICs for a moment. You can reap a greater yield from dividend stocks.

Establish financial freedom using dividend stocks

Amongst the highest yields available from dividend stocks that are Canadian Dividend Aristocrats are **Keyera**

, **SmartCentres REIT**, and **BCE.**

Keyera has been quite defensive through the pandemic. Specifically, it was able to increase its dividend by a higher growth rate than its bigger peers in the energy infrastructure space! At writing, the dividend stock is fairly valued at under $26 per share and provides a massive yield of 7.4%.

SmartCentres is a resilient retail REIT that maintained its cash distribution despite economic lockdowns last year. Partly, it's thanks to its grocery-anchored properties. Its rental income is diversified across more than 3,400 tenants and close to 70% of its properties are anchored by **Wal-Mart**.

At writing, the REIT is fairly valued, trading at about $28 per unit and offers a juicy yield of 6.6%. Its 2021 payout ratio is estimated to be about 89% of its funds from operations.

BCE is another popular income stock. It forms an oligopoly with **Rogers Communications** and **Telus**. Last quarter, the telecom just increased its dividend by 5%, a rate that aligns with its dividend increase of about 5.2% per year since 2013.

At $58.50 per share at writing, BCE is fairly valued and offers a nice yield of close to 6%.

How you can achieve financial freedom

First, figure out your monthly expenses. Let's say that's $3,000. Then, you'll need to earn an income of $36,000 a year to cover your expenses. A portion of that might come from the Canada Pension Plan but expect a big portion to come from your retirement investment fund.

The average yield of Keyera, SmartCentres, and BCE is 6.7%. If you earn an average yield of 6% from your retirement fund, you'll need $600,000 to earn $36,000 a year. You'll also want that income to grow faster than inflation.

In summary, to achieve financial freedom from your retirement fund, the amount invested, the portfolio yield, and the growth of the passive income are key items to keep track of.

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