Millennials: 1 Easy Trick to Pay Debt and Start Investing!

Description

Millennials have it the worst when it comes to saving money. Although most millennials have thousands put aside in savings, a very small percentage are actually investing. Why is this? It's because of debt and parents.

On the debt front, millennials have seen massive inflation during the last four decades. That means this age group is getting paid a pittance compared to what they need to pay. Mortgages, student loans, credit card debt all need to be paid. In fact, millennials have the highest debt-to-income ratio of 216% compared with other generations.

The other problem? Millennials' parents, the baby boomers, are a bit less interested in investing in equities. There is far more fear of taking on unnecessary risk, in their view. So, this means millennials haven't had the education needed to learn about investing. Now, I'm not saying this happens to all millennials and baby boomers, but there is a pattern.

So, what can millennials do about it?

Millennials: What's your goal?

If you're a millennial, your primary goal is likely to pay down debt. I don't mean your mortgage. That's separate. Instead, if you have credit card debt and student loans, definitely pay that down as soon as you can.

A solid trick to use in this instance is to line up your debt from highest interest rate to lowest interest rate; again, don't include your mortgage. Even if the top number is your lowest amount to pay off, it doesn't matter. Just put all your effort to paying that off first. Credit cards in particular can have around 20% interest rates! So, pay it down and head to the next highest.

But if your goal is to pay off all your debt, add it all up and come up with a plan to pay it down as soon as possible. Let's say your debt is at $10,000. Here's your next step.

Break it down

When you look at $10,000 in debt, that can seem impossible to pay off. But it comes down to habits. The best habit to reach a goal is to break it down into smaller chunks. Let's say you wanted to pay off your debt in a year. The fastest and easiest way to pay that off is to commit to putting aside money *every single day*. Building these habits benefits you now; they'll help you pay down your debt and set you up to save in the years to come.

So, back to that $10,000. Yes, that looks scary. But if you break that down into weeks? That's $192 per week! That's much more manageable. Then break it down further, and that's about $27.50 per day! Yes, it's going to take some management, but by the end of the year, your debt will be *gone*!

Keep it going!

You've built the habits you need to pay off debt, and it's now gone. So, now what? Get investing! Millennials are great savers already, but a lot of them don't know where to start. But if you've got $10,000 now stashed away each year, the best way to invest is by keeping it simple with the Big Six banks.

Canada's banks have fared as some of the best in the world during economic downturns. Each provides you with a safe and secure option for stable returns. Each also provides passive income in the form of dividends. None of the Big Six banks have missed a dividend payment since they started payouts!

If you want super secure, go right to the top with the largest bank by market capitalization: **Royal Bank of Canada** (TSX:RY)(NYSE:RY). Royal Bank stock has seen 47% share growth in the last year and 193% share growth in the last decade. That's a compound annual growth rate (CAGR) of 11.3%! It also offers a dividend yield of 3.74%, which has grown at a CAGR of 7.93% during that time.

Bottom line

If millennials were to put $10,000 into Royal Bank today, they would get $370 in dividend income each year. And at current levels, within a year you could have $11,040 in your portfolio! That's $1,410 in returns from just one year of investing.

So, while it may seem impossible to start investing, it's not. Talk to your financial advisor, pay down your debt, and start investing today!

CATEGORY

1. Bank Stocks
2. Investing
3. Personal Finance

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Investing
3. Personal Finance

Date
2025/08/22
Date Created
2021/04/28
Author
alegatewolfe