Millennials: Be Whip-Smart and Earn Maximum Return at Minimum Risk

Description

Millennials are lucky compared to baby boomers. Today, younger professionals can receive employment income while doing side hustle in the gig economy. Their older counterparts did not have the same luxury. If you lost your job before, you had to apply for work to earn your keep again.

Perhaps the biggest advantage of older folks is that they are better savers. Canadian baby boomers understand the importance of saving and investing for the future. Also, they prioritize debt repayments, according to a 2020 study from Edward Jones.

I'm not saying that millennials throw caution to the wind. However, about 58% are most likely to spend their money on experiences, such as concerts, dinners, and vacations. Some would even accumulate debts to fund their lifestyles. But if the majority were to save and invest early on, they wouldn't have financial worries in the future.

Responsible long-term investing

According to a 2016 study by the Responsible Investment Association, 82% of millennial investors believed that responsible investing would become more important in the next five years. Five years have passed, and the world is in a pandemic environment. Somehow, the health crisis has motivated young Canadians to focus on finances.

One strategy to earn maximum returns at minimum risk is to practice long-term investment. The purpose of investing money is to improve your financial health and build future wealth. A long holding time is the typical characteristic of long-term investment.

Inevitable money growth

The strategy involves using your savings to buy income-producing assets such as dividend stocks and hold them for extended periods. People who invest for the long term ignore short-term market volatility. More importantly, letting your money stay invested for years, if not decades, gives you the power of compounding.

Your money will inevitably grow over time without you lifting a finger. The key is to keep reinvesting the dividends and not touch your capital at the same time. There are no fixed rules for when you should start the practice. However, you must know what assets to buy and how long you will hold them.

Buy and hold forever

I tip my hat off to **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), because it's the only company that achieved steady revenue and earnings growth during the 2008 financial crisis. Canada's second-largest bank and North America's fifth-largest lender has a mean dividend track record of 164 years.

This $156.57 billion bank currently pays a 3.67% dividend and maintains a less than 50% payout ratio. If you were to buy $75,000 worth of shares today ($86.10 per share) and hold it for 20 years, your capital would compound to $154,213.80. Extend your horizon to 30 years, and the money should grow some more to $221,133.34.

Thus far, in 2021, investors are ahead by 22.16%. The bank recently completed the acquisition of **Wells Fargo's** Canadian Direct Equipment Finance business. Expect the acquisition to enhance TD's position and competitiveness in Canada's Equipment Finance industry. Also, there could be more acquisitions given the bank's excess capital.

Uncertainty into guaranty

The time frame of a long-term investment strategy should be long enough to convert uncertainty into a guarantee. Likewise, it should transform meagre capital into a fortune over time. Millennials have better chances of becoming millionaires because time is on their side. They could even achieve financial independence sooner than later.

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