Millennials: Your Best Chance to Achieve a Comfortable Retirement

Description

Who doesn't want a comfortable retirement? If you make a plan to achieve your retirement, you're already ahead of many people. How do you go about preparing for a comfortable retirement? Millennials, here are some tips for you.

You'll be spending at least a third of your working years working. A big chunk of your retirement will come from your job, so the first thing to do is to focus on advancing your career. Hopefully, you've chosen a profession that you're passionate about. That way, it won't feel like work because you'll be enjoying it. Consider different ways to advance your career, whether it be taking extra courses to keep your mind sharp or volunteering to expand your network.

As you gain experience and get better or faster at what you do, you should also be earning more. Always aim to save at least 10% of your after-tax income. After building an emergency fund, invest your excess cash for long-term investment.

Over decades, it's going to make a huge difference, whether you're getting returns of 6% or 12% a year. According to the Rule of 72, it's going to take approximately 12 years to double your money on a 6% rate of return. But it'll take half the time to double your money on a 12% rate of return. Therefore, you should focus on total returns when making your investment decisions.

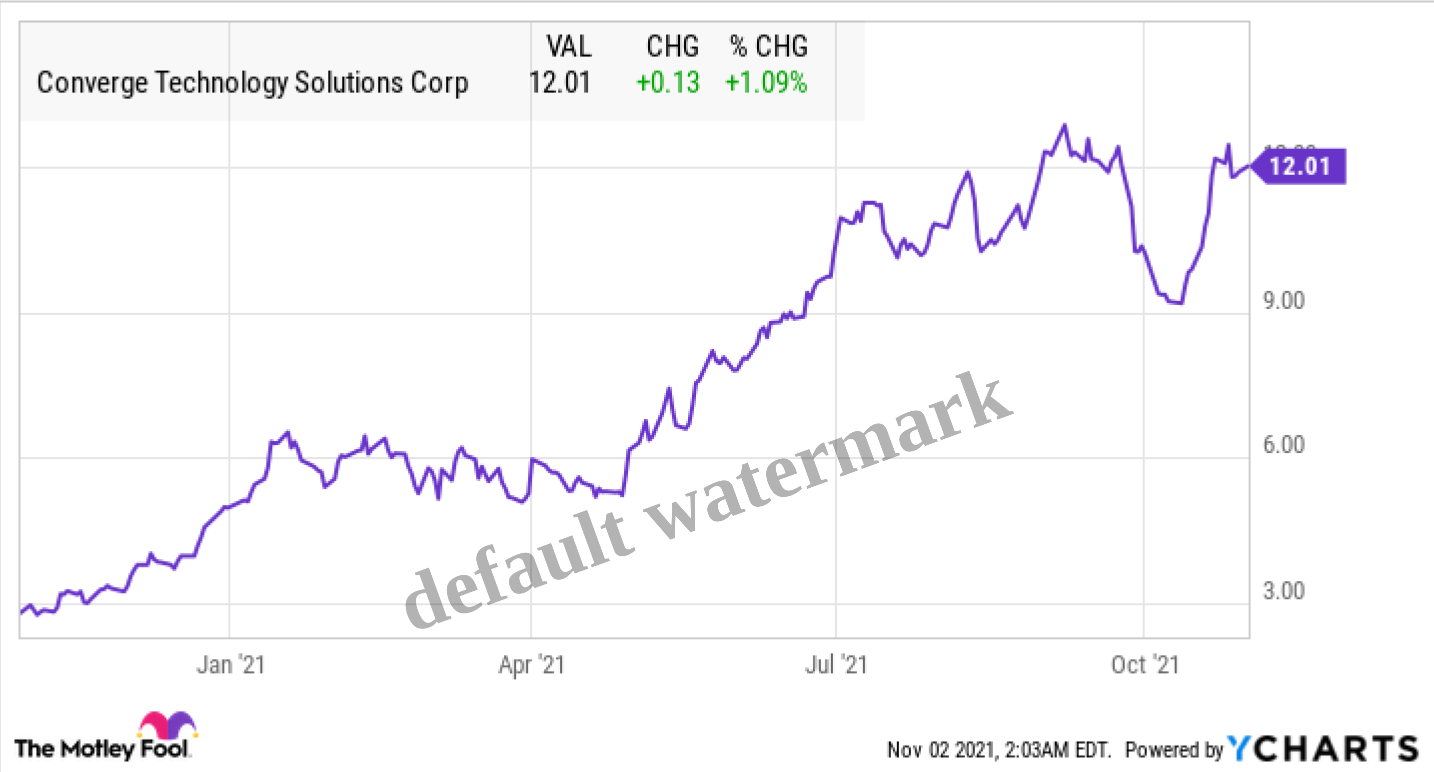
Achieve high returns with growth stocks

Investing in growth stocks is one of the best ways to get high returns. There are different types of growth stocks. Some are in an early stage of growth and raising their revenues at incredible rates. Others are cyclical companies that experience spurts of growth from coming out of the trough of an economic cycle. The more secure kind of growth stocks is increasing their earnings or cash flow at fabulous rates.

Converge Technology Solutions (TSX:CTS) is a good example of an early-stage growth stock. Its trailing-12-month (TTM) revenues of $1.1 billion are 37% higher year over year. And it just started turning a profit this year. Its TTM price-to-earnings ratio (P/E) is ridiculously high at about 267.

However, it's more suitable to look at the P/E on a forward basis for a growth stock. Its forward P/E is estimated to be roughly 33, which is much more palatable.

The tech stock also has price momentum. Any selloffs in the growth stock in the last two years have been quickly absorbed by the market. To illustrate the kind of volatility that one could experience in the growth stock, the last selloff, which occurred between September and October, saw the stock falling approximately 30% before almost fully recovering. It would take high conviction and nerves of steel for investors to buy on the correction.



CTS data by YCharts

[Converge](#) provides hybrid IT solutions to the mid-market. The team has done a wonderful job growing the business with acquisitions and cross-selling its products and services. Investors have been well rewarded with a one-year return of 327%! Although the growth stock is more well known and bid up than it was a year ago, it has a high probability of returning more than 12% a year over the next five years if it continues to execute as it has.

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