



Millennials: Create a Million-Dollar Portfolio for Retirement

Description

It's a great time for millennials seeking out retirement stocks to pick them up in bulk. After two years of solid growth, the market correction means you can get blue-chip companies for a steal. This marks an ideal time for you to buy them up and hold them for decades, making it easier than ever to create a million-dollar portfolio.

How to start

First, I'd like to mention that the million-dollar portfolio is just a well-rounded way for the purpose of this example. It's important for millennials to work with a financial advisor to come up with their own [long-term plan](#) towards retirement.

That being said, this can show you how to create a strong, large portfolio that should definitely help when you reach retirement. So, after meeting with your financial advisor, you can start by choosing where you're going to hoard that cash.

The [Registered Retirement Savings Plan](#) (RRSP) is a great option, because you can't take it out without being taxed (except in some circumstances). This way, you can see your portfolio grow and grow as you add it to it on a consistent basis.

And that's the other key: consistency. Figure out how much you can afford to put aside each month. And I do suggest each month or even each paycheck. That way, you can create automated contributions that come out as if you were paying a bill. But instead, you're paving the way for your retirement.

Choose wisely

You should choose wisely when it comes to stocks you want to see climb over the next few decades. It can be tempting to try and identify growth stocks you believe will be winners in the next few years. But I'd recommend staying away from those companies for now.

Instead, find solid companies you're all but positive will grow towards retirement. In this case, the banks are a great investment. If you want to see growth from all bank stocks, then consider an exchange-traded fund (ETF) focused on the sector.

A strong option today is **BMO Covered Call Canadian Banks ETF** ([TSX:ZWB](#)). It aims to reflect the performance of the Big Six banks, while also creating further returns through covered calls. Plus, you get the addition of passive income from the dividend, which is currently at 5.31%.

Making a million

Shares of ZWC have gone up at a compound annual growth rate (CAGR) of 2.65% over the last decade. Meanwhile, its monthly dividend has increased at a CAGR of 2.61% during that time. By putting this together, we can figure out what kind of investment we would need to create a million-dollar portfolio for retirement.

If you're a 30-year-old, then let's say you're going to invest over the next 35 years to reach 65 for retirement. That would mean by investing in ZWC, you would need to invest \$70,000 this year and add an additional \$15,000 each year. Monthly, that would come to \$1,250 and reinvested dividends. You would have \$1.022 million in the next 35 years.

As you can see, that's a large investment. However, it's also a stable one. Furthermore, as it's in your RRSP, that \$15,000 gets taken off your income by the Canada Revenue Agency each year, putting you with a lower tax bracket in many cases. So, put your cash to work and head towards retirement.

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