Boomer Advice to Young People: Invest Early & Diversify

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When asked if they had any regrets, Baby Boomers wished they had started investing and saving at a much earlier age. Hindsight being 20/20, the Boomer generation can pass on some much needed advice and guidance to their kids and grandkids. It is normal for younger people to focus on earning money to accommodate their lifestyle but few have the foresight to pay themselves first. It is easy for younger generations to imagine their whole life ahead of them and have the attitude that of course I'll be financially set when I'm ready to retire'.

Invest Early and Often

Beginning to invest early in life can help young adults get a head start in all their important financial goals. It doesn't take much at that age; $10 a week or $50 a month. Just a drop in the bucket? At first, but the returns can be staggering over time. If young people start investing in their early twenties, they would be amazed what they could accumulate by age thirty, awed at forty, stunned at fifty, and at sixty - realize that they can reap the benefits of wise planning.

TFSAs (Tax Free Savings Accounts) are very new so only today's twenty-year-olds can take advantage at an early age. With a limitation of $5,500 per year currently or roughly $450 per month, the growth possibilities are limitless. If you don't have $450 per month to invest, begin with whatever you can and watch it grow for the rest of your life.

Diversify Investments

Building wealth can also be accomplished through the inclusion of hard assets in a portfolio. Through a little extra discipline, young people can also consider owning real estate instead of renting. Don had an opportunity to buy a house when he was first starting out back in the 1970s. For a $500 down payment and a carrying cost on the mortgage of less than $300 per month, he could have been in the real estate investment game. Instead, he dismissed his own father's advice because he had a lifestyle to maintain. Had he heeded his father's advice, his investment would have yielded a 400% return over 20 years.

For anyone who owns a home, carrying a mortgage into retirement age should be avoided whenever possible. The best rule is to limit a mortgage to a maximum 25 year amortization and then try to pay the mortgage every two weeks or even every week if possible. Weekly and bi-monthly payments can help reduce the amortization period to 10-15 years and the interest saved is extra money that can eventually be invested in RRSPs and TFSAs.

Use a Financial Advisor

Because each person's situation is unique, it is always recommended to consult with a professional financial advisor before embarking on any type of investment plan whether it be a basic RSP account or something larger like owning a home. A qualified financial advisor can help individuals assess the pros and cons for different types of investment in terms of each person's financial circumstances.

**Fictional characters for illustrative purposes only.*

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