Surprise! Millennials are buying stocks

One thing that bothers me when people analyze the investing behavior of millennials is that people tend to talk about this generation as though they are all the same — as if this is a monolithic group of hyper-conservative investors.

They watched their parents reel from the one-two punch of the dot-com bust then the global financial crisis, the story goes, not to mention the collapse of the housing market. So this generation does not see markets as a safe place to put their money.

But data from our online-investment marketplace, Covestor, shows that investors under 35 engage in a range of fiscal behaviors, and many are risking capital in the stock market. In fact, millennials as a cohort on our platform, by some measures, are more aggressive than our older clients.

Those over 35 and those under 35 both average a risk score of 4 out of 5 (5 is the riskiest) on our platform. Millennials, however, invest an average of 9 percent of their liquid assets with us; Generation X and the Baby Boomers invest half as much: about 4.5 percent.

This is a substantial difference, given that investors under 35, on average, make less money than older investors, and are often saddled with student loan debts, leaving them even less money to put to work.

Covestor's findings mirror those of a recent Bank of America Merrill Lynch 401(k) Wellness Scorecard, which found that among 2.5 million employees, those 18 to 33 are enrolling in retirement savings plans faster than older generations.

Millennials are less likely to use a financial advisor, too, which is, perhaps, unsurprising given that these digital natives, who click through web pages for everything from fashion advice to travel bookings, are a DIY — do-it-yourself — generation.

Of course, the prevailing investment advice is that millennials should embrace market risk, as they have plenty of time to compound returns as well as recover from market corrections.

Admirably, millennials save on a regular basis, especially in small amounts — $50 to $100 — to invest. But to maximize investment outcomes, they need to invest larger sums as early as they can.

Unfortunately, when millennials get a big check — a bonus or an inheritance — they tend to spend it, perhaps on a car or a vacation.

A tip for millennials: Do the opposite. Splurge rather than save that extra $50 or $100 a month; have dinner out. And when a big check rolls in, invest it. All of it.

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