Millennials, Gen X and Baby Boomers Should Invest for Growth

Is there a "generation gap" today? In some ways, it's possible. While many baby boomers are happy just to understand the basics of Facebook, "Millennials" are busy texting and twittering. And yet when it comes to investing, baby boomers (born between 1946 and 1962), Generation X (1963 – 1981) and Millennials (1982 – 2001) may have a lot in common.

Specifically, to achieve their long-term goals, these groups should structure their investment portfolios to provide some *growth potential*. However, due to their age differences, they may need to take different approaches in how they invest for growth. Let's take a look at all three groups:

• *Millennials* — One of your biggest objectives may be to save enough money for a down payment on a house. For this short-term goal, you may want an investment whose value won't fluctuate too much. At the same time, don't ignore the need to save for retirement, even though it's likely decades away. Contribute as much as you can afford to your 401(k) or other employer-sponsored plan, and if you still have money available, consider opening an IRA. And you may want to fund these accounts with an appropriate amount of growth-oriented investments, such as stocks or stock-based vehicles. (Keep in mind, though, that the value of these investments will fluctuate over time, sometimes significantly, and there's no guarantee you won't lose any principal.)

• *Generation X* — Retirement is becoming more of a reality — so if you have been underutilizing your 401(k) and IRA, now may be a good time to ratchet up your contributions. And although you have less time to make up for market drops than your Millennial co-workers, you're not out of time, either — so you still need to invest for growth potential. Nonetheless, you may want to include a higher percentage of bonds and other fixed-income vehicles in your portfolio, especially if you're an older Gen X'er.

• *Baby Boomers* — Retirement is coming at you pretty quickly. And it's both a short-term and a long-term goal, because even though you may be leaving your career in just a few years, you could spend two or even three decades in retirement, starting a new career, going back to school or pursuing other interests you haven't had time to pursue. So you're faced with a paradox: On one hand, you don't want to invest too heavily in high-growth vehicles, because these are the most risky — and a market downturn could cause the value of your portfolio to drop just when you need to start tapping into your investments. But you can't become too conservative and put all your money in fixed-income vehicles, because over time these investments may lose value to inflation — which means you'll lose purchasing power. Consider investing in quality stocks, which have growth potential, along with a good mix of bonds, Treasury bills, certificates of deposit and other vehicles that may offer the potential for both current income and preservation of principal.

Your need for investment growth never really disappears. But at different stages of your life, you'll have to balance this need against competing interests — so review your financial situation regularly, and make the right moves at the right times.

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