



## Do Cannabis Stocks Belong in Your TFSA for 2018?

### Description

If you're a retiree or an older investor who's within a decade of retirement, then the answer to the question in the headline is a clear "no way!" As an older investor, you can't afford to take such great risks, [especially in your TFSA](#), since you surrender the right to use your capital losses to offset capital gains from your other investment accounts — something you may regret later if cannabis stocks experience another nasty hangover as they did early last year.

Simply put, adding speculative pot stocks to your TFSA is a move that could jeopardize your retirement, so you'd better not even think about exposing your hard-earned retirement dollars to what many believe is a bet that could go sideways in an instant, as we saw last Thursday when shareholders overwhelmed brokerages at **Royal Bank of Canada** and **Toronto-Dominion Bank** with ridiculous amounts of selling activity.

If you're a younger investor, and retirement is a distant concept for you, then you've got time on your side, and you can afford to take greater risks. But should you dare add a pot stock to your TFSA? It's already a sky-high risk/reward investment, and adding such a security to your TFSA is akin to doubling down without insurance in a game of Blackjack.

### **The temptation of tax-free next-level returns is compelling, but are they worth the added risk?**

If you're already an investor in Canadian cannabis stocks who's ready to take some profits after seeing your investment triple or quadruple over the last few months, you've probably noticed that you'd be on the hook for a hefty tax bill, especially if you're in a high-income bracket.

Now that the new year is here, and you've got another \$5,500 in TFSA cash to put to work, it may seem like an intriguing idea to add some pot stocks like **Canopy Growth Corp.** ([TSX:WEED](#)), **Aurora Cannabis Inc.** ([TSX:ACB](#)), **Aphria Inc.** (TSX:APH), or **MedReleaf Corp.** (TSX:LEAF) to your TFSA, while they continue to grow like weeds.

Your gains will be completely free of tax, and your TFSA gains would snowball at an accelerated rate, but it's important to remember that if these stocks plunge, you can forget about tax-loss selling, since you're not going to be able to offset any of your other gains, regardless of where they may be held.

After yet another historic rise in cannabis stocks in 2017, I think the risks are high enough already. I've mentioned in previous pieces that the stakes are already sky high, and that a near-term correction is very probable, even though I still believe cannabis stocks will end the year significantly higher.

Unforeseen negative headlines could send shares of cannabis stocks tumbling, and if your online broker goes offline due to a surge in trading activity, you may end up with a hefty capital loss without the ability to salvage the losses when tax time rolls around.

To make matters worse, if you have pot stocks in your TFSA, you may be tempted to hang on to your shares, even if your original thesis goes upside down, to avoid a TFSA loss — the most painful type of loss.

### Bottom line

Unless it's a small position that you're thinking about adding, I'd advise against holding pot stocks in your TFSA, especially if you're in it for short-term gains. Pullbacks happen, and if you're intending to hit the "sell" button on any weakness, you stand to take a one-two punch to the chin. Loss aversion is a real concept. We all would much prefer avoiding losses versus obtaining the equivalent magnitude in gains.

If you're going to buy pot stocks in your TFSA anyway, make sure you understand the added risks. And if possible, [wait for another meaningful dip in pot stocks](#) before you pull the trigger within your TFSA. In the meantime, keep the smoke in your non-registered accounts while they're red hot.

Stay hungry. Stay Foolish.

### CATEGORY

1. Investing
2. Stocks for Beginners

### POST TAG

1. Editor's Choice

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