Protect Your TFSA Nest Egg From the Next Crash With This Top Stock

Description

Many investors are becoming incredibly fearful of the possibility of a recession over the next few years. The bull market is slated to celebrate its 10th birthday in a few months, and meanwhile, several high-profile firms have noted that the probability of a recession over the next few years is high in spite of a lack of evidence that's suggestive of a weakening U.S. economy.

You can't really blame the average investor for being overly risk-averse at this stage, especially since we all know that another crash is inevitable. Crashes happen — they always will! It's just a matter of when it will happen and how severe the magnitude of the downside is.

At nearly 10 years old, many would agree that the current bull in the latter stages of its life. While it may be prudent to hoard cash and conservative investments like bonds or GICs within your TFSA at this time, it's typically not a good idea to play one side of the coin by remaining completely out of stocks with the belief that the markets are going to crash over the medium term.

Doing so is timing the market! And unless your financial advisor is a legitimate fortune teller, odds are you're going to miss out on ample amounts of upside before your doomsday prediction finally comes true.

If you're a young investor who's over a decade away from retirement, you can't afford to wait until the market crashes before putting your excess capital to work! Doing so would be surrendering one of your biggest advantages of an investor: time. You may find yourself sitting on the sidelines as inflation nibbles away at your pricing power year after year.

The opportunity costs are pretty high when you think about your options in this regard. If you choose to not participate in the markets solely because of the age of the bull run, you could stand to miss out on many years' worth of the bull's best years, especially with President Trump's pro-business agenda and the associated tax cuts which are poised to stimulate the U.S. and, in turn, the global economy.

Just because the bull hits its 10th birthday doesn't mean it needs to make way for the bear to move sustainably higher. So, instead of betting on one side of the coin, a smarter move would be to prepare your portfolio for both scenarios with an all-weather portfolio that'll allow you to profit in a bull market and hold its own in a bear market.

Think about creating a foundation for your portfolio with defensive blue-chip dividend stocks that'll fare well in the event of a recession. It's also a good idea to keep a portion of your net worth in cash, so you'll be ready to should the bear finally come out of hibernation. By having an all-weather portfolio with enough cash on the sidelines to average down come the next downturn, you'll know exactly what you'll need to do when times get tough. As such, you'll be a confident investor at a time when many are in a panic and make rash decisions, like selling at a loss.

If you're looking for a way to protect your wealth from the next disaster without missing out on potential gains in the meantime, **Fairfax Financial Holdings Ltd.** (TSX:FFH) is a terrific pick. Prem Watsa, the Canadian Warren Buffett, is a man who knows how to spot value, and his number one goal is to preserve wealth under any environment. He may be incredibly bullish on the Trump administration, but he's also not going all-in on the bull nor the bear.

With Fairfax, you're likely to do well, no matter what the markets throw at you. Bull, bear … it really doesn't matter. The stock is an essential holding to any all-weather portfolio, and if you're at all worried about the possibility of a recession, Fairfax may be the stock that you're looking for.

In an economic downturn, Fairfax fares fairly well!

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