



This Is the Best Strategy to Rearrange Your TFSA for the Bear Market to Come

Description

Some of you have had some excellent runs of fortune in your TFSAs. Investing in cannabis stocks, tech stocks, or some other stock has produced excellent results. While this is fantastic, what do you do with those gains? Well, you have a couple of choices: you can sell and keep the gains or hold on to the stock for the long term.

The issue with holding these high-risk, high-return stocks in the TFSA is that they may be poised for a downturn at any point. Stocks such as **Amazon.com** ([NASDAQ:AMZN](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have provided investors with [incredible returns](#) over the years, some of which may have occurred within a TFSA. Even if you didn't have a massive gain, even a small gain may be enough to keep in your tax-free account.

But if there is a downturn and these high-risk stocks start to collapse, there will be no opportunity to write off losses, since they occur in a tax-free account. In other words, gains in a tax-free account are fantastic, but losses are permanent. To remedy this, it may suit you as an investor to take advantage of the positive aspects of tax-free accounts before a downturn comes.

For long-term holders, a good strategy may be to lock in those gains tax-free before a downturn comes. This will be beneficial within the TFSA. You will not be charged capital gains, allowing you to keep all those earning over the past several years. Selling maximizes the earnings potential of those stocks.

After you sell, you must then decide what to do with the funds. If your gains were in USD, now is an excellent opportunity for you to buy Canadian stocks with excellent dividends that are cheaper than was previously available. Stocks such as **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), and **Canadian Utilities** ([TSX:CU](#)) are now available at significantly [discounted prices](#).

These stocks are now yielding 5.52%, 5.5%, and 4.66%, respectively, allowing you to get excellent income tax-free. You can now enjoy tax-free income from tax-free capital gains, possibly even using USD to buy those Canadian stocks at an even bigger discount.

If you still want to own the stocks you sold without waiting to time the market, you have another tax-

advantaged choice. Repurchase the sold shares immediately within a taxable account. If the market experiences a downturn, you will have the opportunity to either hold on to the shares, add more at reduced prices, or sell the shares at a loss. You will be able to write off the tax loss instead of merely losing TFSA contribution room.

Before attempting a strategy such as this, it is always advisable to check with your accountant to see if this strategy is a suitable one for your current financial situation. By using your TFSA and taxable accounts wisely, you will not only be able to make more tax-efficient gains, but you will also be able to make wise use of the limited contribution room available to you within your tax-free accounts.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:SHOP (Shopify Inc.)
5. TSX:BCE (BCE Inc.)
6. TSX:CU (Canadian Utilities Limited)
7. TSX:ENB (Enbridge Inc.)
8. TSX:SHOP (Shopify Inc.)

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