



TFSA Investors: Protect Your Money From a Market Downturn

Description

TFSA investors beware: the bear market everyone feared is somewhere around the corner. You therefore need to protect your investments and prepare for a possible recession that could jeopardize your financial security.

Over the last 100 years, the market has seen recessions multiple times. Still, it seems that investors don't know what to do in case of a market downturn.

If you're unable to get your bearings, things can turn out badly. The anticipation of a recession can lead to panicked sell-offs. Panicked sell-offs can turn out to be a waste once the dust settles and things return to normal.

Today I'll talk about three methods you should take instead of panicking, including investing in safe stocks like **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) and **Dollarama Inc** ([TSX:DOL](#)) so you can save your investments from a market downturn.

Increase your savings

You need to sort out your current financial position so that you can prepare for the uncertain times ahead. First, build up your emergency savings. It's obvious advice, but many investors fail to realize how much they should save.

You need to [increase your savings](#) to the point where they can accommodate your needs for a substantial amount of time. Ensure building a safety net to fall back on for six months, and then eliminate (or reduce) your debts as much as you can. Prioritize all your high-interest debts because that's just as important as building up your savings.

Cut your expenses

Another obvious advice I'll give you regarding recession preparation is to reduce your spending.

Increasing your savings and reducing spending go hand in hand. Limit your spending to only the essentials. You can delay your vacation plan to a few months from now, or even next year.

Reducing your debt is also going to go a long way toward reducing your spending. Prioritize using cash to pay for any expenditure rather than your credit card. If possible, stop using your credit card altogether for the time being. The more money you save, the more you can allocate to your emergency savings.

Consider safer investments

Where investors start to cash out of the stock market, my third advice to save your investments is to reallocate your investments instead of just taking your money out and leaving it idle.

Even in times of recession, there are defensive stocks that can weather the storm. A great option to strengthen your TFSA is by investing in a discount retail company.

As times get tough in the months ahead, Canadians will need to get the most value out of every dollar, and it's times like these that dollar stores like Dollarama will show their worth.

The recent decline of 10% from August 2019 might worry some investors. Still, even the most defensive stocks can experience a dip in an uncertain market.

Another great option to solidify your TFSA is by [investing in utilities](#). Utilities can do well when a recession hits. Governments protect these businesses under challenging times due to their importance for the overall infrastructure of the country. No matter what, people will need their lights on. The essential nature of their service gives utilities a good chance at stability.

To this end, TransAlta could be an excellent stock. TransAlta has seen a dip in valuation with the current share price of \$8.39 down 14.91% from 52-week highs. Still, the energy company is up 50.18% year-to-date. TransAlta continues to leverage the company's high-quality Alberta assets to deliver stable results, something shareholders love.

Foolish takeaway

TransAlta trading at \$8.29 a share at writing makes for an attractive option to consider adding to your TFSA. The \$46.58 per share for Dollarama might seem a little prohibitive for many investors. Still, the company's strong potential to endure a recession might make the current price worth it.

While this fool cannot guarantee when the recession will hit, he can say that it definitely will. You need to save your investments from the market downturn, and investing in these two stocks could be an essential step to ensure that.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:DOL (Dollarama Inc.)
3. TSX:TA (TransAlta Corporation)

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