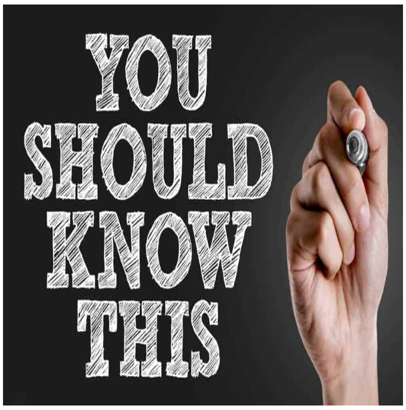


TFSA Investors: 1 Enormous Mistake to Avoid in a Recession!

### Description

Canadians can reap the benefits of a Tax-Free Savings Account (TFSA). As an investor, you can invest in several different businesses and save on potentially hundreds of thousands of dollars you might need to pay otherwise over your lifetime. As a result, TFSAs come in handy for a variety of savings goals.



As a TFSA investor, maximizing your TFSA has to be your top priority. You can withdraw money from the account without the deduction of penalties, which you cannot in a Registered Retirement Savings Plan. Still, you should strive to keep your TFSA maxed out if you have the means to achieve this.

We are facing uncertain economic times right now. Investors are panicking about what to do in case a recession hits. In times of economic depression, there are several mistakes that TFSA investors make. From trading way too much instead of buying and holding to taking on too much risk, there are several potential problems investors can cause themselves.

## Of recessions and high-risk stocks

Investing in high-risk companies is the biggest mistake investors can make, especially in times of recession.

Shares of legal marijuana have made early investors wealthy. It is tempting to keep high-risk and high-reward stocks in your TFSA. The approach can potentially save you a lot of money through the account if the company were to multiply several times over.

Nonetheless, risking a significant portion of your contribution is not the right approach, regardless of the potential outcome from investing in stocks like **Canopy Growth** (TSX:WEED)(NYSE:CGC).

Your goal should be to buy top-quality, long-term, and dividend-paying stocks. Acquiring top stocks for your TFSA and holding them for the long haul is an ideal strategy. The compound growth, thanks tothe dividends along with zero taxes, can create a lucrative snowball effect for your TFSA. Canopy shows us exactly why it is unwise to invest in a high-risk stock.

## A massive drop in share prices

Calling last week's sell-off of Canopy stocks "disastrous" is an understatement. In the space of just a few days, Canopy stock has fallen over 15.7% to drop to $25.67 per share at the time of writing. Canopy stock was trading at a massive $73.75 just a year ago. A drop of 65.19% in a year represents significant volatility in the capital.

The entire cannabis sector keeps taking hits from bad news. Other companies like **Hexo**, **Aphria**, and even **Village Farms** are struggling. Possibly the worst news for the cannabis sector came last Tuesday when Nevada-based hemp grower Go Farm Hemp sued Canopy.

Canopy sued the U.S. outfit as an answer to the lawsuit. The full story between the two companies is yet to emerge. Investors do not need to pay a lot of attention to the case right now. The main thing to focus on is that cannabis stocks are making it to the headlines for all the wrong reasons at a time when the industry needs a boost.



## Foolish takeaway

I believe that any smart investor should not even bother to poke at the likes of Canopy or any other weed stock right now. The industry is going through turmoil right now ahead of Cannabis 2.0, and the situation points towards a potentially more profound decline.

My advice is to try and stick to top-quality dividend-paying stocks to make the most of your TFSA ahead of a recession.

**CATEGORY**

1. Cannabis Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

**PARTNER-FEEDS**

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Cannabis Stocks
2. Investing

**Tags**

1. Editor's Choice

**Date**
2025/07/06
**Date Created**
2019/10/21
**Author**
adamothman