2 New Year's Resolutions All Investors Should Make for 2020

Description

As 2019 draws to close, it's a good opportunity for investors to reset for the new year and make some plans that will help prepare for what may be a more challenging 2020. North American markets have performed very well in 2019 and many investors have likely done very well this past year. But with concerns surrounding a possible recession, trade war, and impeachment proceedings in the U.S., there is no shortage of issues that could weigh down the markets in 2020. That's why investors should undertake the following two resolutions for 2020 to help put themselves in a better position for success in the coming year.

Pay close attention to valuation multiples when making an investment decision

One of the consequences of a strong year on the markets is that many stocks have reached higher valuations. A good example is **Shopify** (TSX:SHOP)(NYSE:SHOP), which in 2019 saw its share price soar above $540. By September it had nearly tripled in value. It's been one of the TSX's top growth stocks for multiple years now, but at a market cap of around $60 billion, the stock has a hefty valuation considering that it continues to record losses and make no serious improvement towards hitting breakeven.

Its sales growth has also been slowing down, and that's only going to make it harder for investors to justify buying shares of Shopify at its ridiculously high valuation. As of December 16, the stock was trading at around 40 times its sales and more than 20 times its book value. Those are very high multiples when you consider that top tech stock **Amazon** trades at just three times its sales and 15 times book value. For Shopify to continue rising at producing strong returns for investors, its growth rate will need to improve, or it will have to make some serious strides towards breaking even. Unless that happens, investors should resist buying the stock and getting on what could be a roller-coaster ride in 2020.

Shopify and other highly valued stocks could be due for some big corrections in 2020, and that's where looking at multiples of earnings and sales can help protect investors from incurring significant losses next year.

Save more cash in TFSAs

With a new year comes more contribution room for Tax-Free Savings Accounts (TFSAs). The extra $6,000 that will be added in 2020 in contribution room should motivate investors to put aside as much money as they can into a TFSA. Saving $500/month would be enough to be able to put aside $6,000 every year. Even just saving $10/day could be a way to strengthen your portfolio and help make your retirement plan that much better off.

If you're not sure of what to do with money in a TFSA, investing in an ETF or a top bank stock could be a way to ensure that your risk is minimal while also giving yourself a good opportunity to benefit from tax-free gains and dividend income earned within the account. The TFSA is a great tool for investors to be able to save every year and build wealth over the long term.

Sticking to these two resolutions can help investors grow their portfolios in 2020.

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