



## TFSA Investors: Heed This Billionaire's Advice to Survive the Next Market Crash!

### Description

After a tremendous year of unexpected gains, investors should seek to lower their TFSA portfolio's correlation to the broader markets to avoid taking on excessive damage when the tides eventually turn. We're currently riding on an 11-year-old bull market, so it's prudent to ensure there are a few holdings that can buoy your TFSA should rougher waters be on the horizon.

Now, I'm not suggesting that you sell your cyclical stocks or even trim your winners, as the bull could go another decade or more without a recession (Australia hasn't been in a recession in nearly 30 years!) given the sophisticated monetary tools that are now available to the U.S. Fed. Instead, I'm urging investors to temper their emotions if they've thought about doubling down on their 2019 winners with their next \$6,000 TFSA contribution.

A bullish Ray Dalio recently took to the media limelight once again, exclaiming that "cash is trash," as the U.S. markets inched closer towards all-time highs.

As you may remember, back in early 2018, Dalio touted that those holding cash would "[feel pretty stupid](#)" after the markets went parabolic. If you bought stocks the day of Dalio's bullish commentary, you got slapped with one of the sharpest corrections in recent memory. This goes to show that nobody, even one of the brightest minds in the investment world can predict where the markets are headed over the short term.

Given the horrid timing of Dalio's last call, his "cash is trash" commentary may be an indicator that the markets are overdue for a correction. With global markets retreating on [coronavirus-related fears](#), I certainly wouldn't rule out another sharp market-wide nosedive over the coming weeks, as the risk/reward trade-off becomes less favourable heading into the first significant round of earnings for the year.

While hoarding cash is a guaranteed way to lose purchasing power over time, I wouldn't necessarily say it's "trash" given it's necessary to have dry powder on the sidelines to take advantage of opportunities as they come to be. Dalio's main premise is that the opportunity costs of holding cash are ridiculously high, and a diversified portfolio of assets is a better way to mitigate such upside risks (the

risk of missing out on upside).

A better idea is to lower your portfolio's beta with extremely low-beta stocks like **Alimentation Couche-Tard** (TSX:ATD.B), a lowly correlated convenience store kingpin that jumped 2.4%, while the S&P 500 and TSX Index fell 1.6% and 0.7%, respectively.

Couche-Tard is one of the few gems that has a negative beta (of -0.1 at the time of writing), meaning the stock is likely to zig while the markets zag.

Unlike most other negatively correlated securities, Couche-Tard hasn't been stuck in its own world of pain due to company-specific issues. Couche-Tard continues to fire on all cylinders, and its stock has recently broken out to hit a new all-time high.

Couche-Tard is a wonderful business with a proven M&A strategy to drive earnings higher over prolonged periods. The stewards running the show, led by CEO Brian Hannasch, are arguably the best in the business, and they're always on the hunt for outsized synergies (an opportunity to pay a dime to get a dollar).

The value-creation strategy has paid massive dividends over the years. As the company continues to execute in spite of temporary setbacks (natural disasters and the like), shareholders will always stand to profit, regardless of the short-term moves made in the broader market.

As an international defensive consumer staple, Couche-Tard is also poised to fare better when the domestic economy slows, as it did last year. As Jim Cramer always says, "there's always a bull market somewhere."

## Foolish takeaway

Ray Dalio wants investors to construct risk-parity portfolios, so they can maximize their risk-adjusted returns over time. Referring to cash as trash is extreme, but so too is hoarding cash, as many Canadians are doing with their TFSAs.

To heed Dalio's advice, consider lowering your TFSA's beta with fantastic businesses like Couche-Tard that are less prone to following broader moves in the stock market.

Dalio is a brilliant man, and his advice is sound. I wouldn't treat his latest call as a short-term market forecast, though, as the markets could be headed off a cliff, like the time Dalio pounded the table in 2018. Of course, Dalio's "cash is trash" comment will be seen as a bull call by the mainstream financial media.

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