



## Protect Your TFSA With These Bomb-Proof Stocks

### Description

TFSA's are [magical](#). They're one of the only ways to permanently protect your money from taxes. But they're not foolproof. As with any investment account, a recession can put your portfolio years behind schedule.

Want to know just how devastating a bear market can be? Most people look at how much markets dip during a downturn. That's only one way of viewing the problem, however. The better option is to estimate how much time has been lost.

Here's an example. Let's say you have \$10,000 in your TFSA and it grows at 10% per year. After 30 years, you'll end up with \$175,000. That's pretty good.

But what if a recession hits, and it takes 24 months for your money to return to its previous level and begin growing again. That's two years of lost gains — and more important — two years of lost compounding.

If you slash two years of growth from the earlier example, you wind up with only \$145,000. That's a big difference (\$30,000) for such a small period of stagnation (two years out of 30).

If you have more than \$10,000 invested — which should be the case if you're saving for retirement — the difference in value could be hundreds of thousands of dollars, if not millions.

Want to protect your TFSA from the next recession with sacrificing long-term growth? Here are two vetted picks.

### As good as it gets

There aren't many stocks that are more reliable than **Hydro One Limited** ([TSX:H](#)). That's because stability is the cornerstone of its business model.

Hydro One simply delivers electricity production to its customer base in Ontario. Its transmission lines

cover 98% of the province. Nearly 100% of its business is rate regulated, meaning the government guarantees a certain pricing floor and ceiling. That limits potential upside, but ensures minimal downside risk.

Think about how special this business is. Electricity demand is one of the most reliable markets in Canada. Historically, recessions hardly make an impact.

With guaranteed pricing, which is typically set years in advance, Hydro One has extreme visibility into future revenue. All it needs to do is manage its capital expenditures.

The stock price has surged in recent weeks, but still offers a 3.3% dividend yield. While this stock will never blow you out of the water, shareholders should experience limited to no impact if a bear market hits.

## Follow the guru

**Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) is another stock with a proven record of managing downturns with grace. During the 2008 financial crisis, shares actually *rose* in value, thanks to its savvy co-founder and CEO, Prem Watsa.

Watsa and Fairfax are very similar to Warren Buffett and **Berkshire Hathaway Inc.** Both businesses own insurance companies that throw off regular cash. Watsa and Buffett are in charge of investing that cash.

Since 1985, Fairfax stock has generated 17% annual returns, which is simply astonishing. Few stock are capable of matching this record. Yet it's during a downturn that the company truly shines.

As mentioned, Fairfax sailed through the financial crisis unharmed, as Watsa had the flexibility to bet *against* the market. Those bets ultimately created billions in profit for shareholders.

While stocks like Hydro One and Fairfax aren't guaranteed bets, they're some of your best options to protect your TFSA from destruction if the market goes sour.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:H (Hydro One Limited)

### PARTNER-FEEDS

1. Business Insider
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