Warning: 1 Massive Reason Your TFSA Could Fall 50% in 2020

Description

Although it seems like the headlines are subsiding and the story is behind us, many experts are warning us that the worst of the Coronavirus outbreak could still be yet to come.

The devastating virus's impact is still being felt around the world. Although cases here in North America are still relatively rare, places outside China are starting to show alarming growth trends. In South Korea, for instance, there have now been more than 200 reported instances of the virus. The city of Daegu has been particularly impacted, with reports the city's streets are practically deserted.

This pales in comparison to the devastation the virus is imposing on China, of course. At last check, some 75,000 Chinese have been affected by Coronavirus, with more than 2,200 succumbing to the disease. There's no end in sight; in fact, the virus has now been reported to have spread into China's prisons.

Many North American investors are underestimating the impact this will have on the worldwide economy. So much of what we consume is made in China, an economy that is at a virtual standstill today. Despite all the efforts of health officials. the virus is still spreading through the nation. It's a problem that doesn't look like it'll be solved anytime soon.

And yet, despite this major issue overhanging the world economy, stock markets continue to flirt with all-time highs. It doesn't seem like investors are pricing in these risks at all. This could translate into some major declines once economic numbers start to show just how much this contagion has impacted the worldwide economy.

Will your TFSA be safe?

Many investors have stuffed their TFSAs full of growth stocks, using a strategy of putting their best projected winners inside the tax-advantaged account to minimize their total tax liability over time.

Unfortunately, there's one big downfall to such a strategy. When the bear market hits — and it inevitably will — you'll be hit with some massive losses. It's easy to imagine such a portfolio losing 50%

during the next big correction.

Don't believe me? Let's take a look at one such example from 2018's rough second half, **Facebook**. In the few months from June 1, 2018, to the end of the year, Facebook shares dropped from a high of $211.50 to a low of $123.42. Although that's not quite a 50% drop, we must remember that the last bear market barely lasted six months. It's easy to imagine a much worse result if underlying economic issues persist for a couple of years.

How to protect yourself

The most effective way to protect your TFSA from any major economic trauma is to invest in more conservative securities.

For instance, stocks don't get much more boring than **Rogers Sugar** (TSX:RSI). Rogers is part of a duopoly that effectively controls the Canadian sweetener market, a part of the economy that is protected from new supply in an attempt to keep Canadian farmers happy. It translates into a pretty comfortable business.

Rogers has experienced some issues lately from the newest part of its business, maple syrup. The syrup market has more competition than sugar, and there's been a bit of a supply glut on the market lately. Rogers has responded by taking lower prices in an attempt to maintain its market share — a move that has temporarily impacted profits from that division. The good news is recent numbers from the maple syrup part of the business have been better, and investments in that part of the business should translate into better results in the future, too.

In fact, Rogers shares have moved up smartly since reporting its first-quarter earnings earlier in February, with the stock rising some 10%. I think it's still undervalued here, with potential upside potential in the 20-30% range over the next few years. Combine that with the current 6.7% dividend, and we have the key ingredients of a pretty compelling total return.

The bottom line

If you're worried about the Coronavirus and the potential economic impact of this tragic disease — a risk many experts say is being glossed over — then the choice is clear. It's time to sell any high-risk stock and switch to a more conservative portfolio.

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