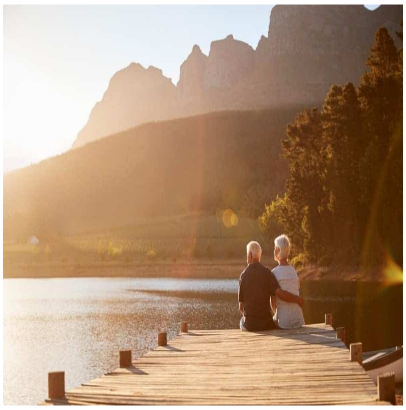

TFSA Wealth: How a Market Crash Can Help Savvy Investors Retire Rich

Description

The recent pullback in the **TSX Index** is finally giving Canadian investors an opportunity to acquire top-quality dividend stocks for their TFSA pension portfolios.

Volatility

Concern about the economic impact of the coronavirus in China initiated the market correction. The country is a major buyer of international goods and a key player the functioning of intricate global supply chains. Chinese businesses are slowly getting back to work and that bodes well for the Chinese economy. However, the coronavirus is now present around the globe with large outbreaks in South Korea, Iran, and Italy.

As a result, the international economic impact could be significant in the coming months. Global businesses are already reducing revenue, and earnings forecasts for the first half of the year. Investors are moving money out of stocks to government bonds and gold. Demand for safe-haven assets could increase in the near term.

Volatility in the markets will likely continue for weeks or even months. Major market sell-offs are being followed by bargain-hunting bounces, as investors bet on aggressive government stimulus measures.

Opportunity

The rate cuts and anticipated fiscal measures from governments around the globe could drive a new wave of growth, similar to what occurred after the Great Recession.

Let’s take a look at one top Canadian dividend stock that might be an interesting pick right now for a TFSA pension portfolio.

CN

Canadian National Railway (TSX:CNR)(NYSE:CNI) operates rail lines that cross Canada and run right through the heart of the United States. The company is effectively the backbone of the Canadian and U.S. economies and is the only rail operator with tracks that connect three coasts.

This is an important strategic advantage that gives CN a wide competitive moat. The company still competes with trucking firms and other railways on some routes. As a result, CN invests billions of dollars every year to improve efficiency and ensure it meets rising demand for its services.

The stock is down from $127 in early February to a recent low near $104 per share. At the time of writing, investors can buy CN for just under $110. A quick look at CN's stock chart over the past 20 years shows that buying the dips tends to be a rewarding bet.

A recession would be negative for CN. Reduced demand for cars, lumber, and finished goods would cut carload orders from customers and hit revenue. In addition, the recent plunge in oil prices could put a dent in CN's revenue from the energy industry. CN delivers sand for fracking companies and transports significant crude by rail.

The impact of the recent blockades is also worth considering, and investors should prepare for a negative impact on the Q1 2020 results.

Nonetheless, CN remains a very profitable company and does a good job of sharing earnings with investors. The board has raised the dividend by a compound annual rate of about 16% since the late 1990s.

The bottom line

History suggests that buying top dividend stocks during a crash can result in strong long-term returns. A $10,000 investment in CN 20 years ago would be worth more than $250,000 today with the dividends reinvested.

A balanced portfolio is always recommended. CN is just one company among a basket of top Canadian dividend-growth stocks that appear oversold right now.

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