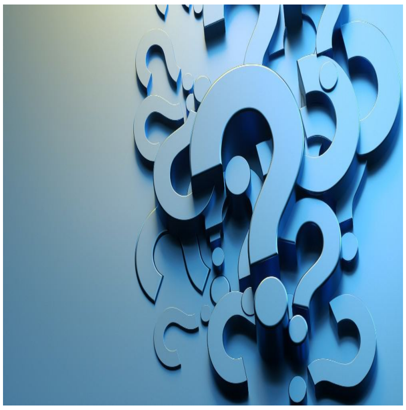

TFSA Investors: Is This Market Crash a Buying Opportunity?

Description

Investing is all about making the right choices at the right time. After the recent market crash, investors who want to use their Tax-Free Savings Account (TFSA) to build wealth might be facing that scenario.

Canadian stocks tumbled 12% yesterday, the largest decline in eight decades, on fears that the coronavirus pandemic will push the economy into a recession.

The 230 companies in the benchmark collectively lost at least $265 billion in market value in an indiscriminate selling, which pushed many blue-chip stocks to below their 52-week lows. After the crash of this magnitude, one wonders if this is the buying time or the moment you put your TFSA cash to use.

Given the extreme volatility in the markets, it's anybody's guess where the bottom is. Many economists are already predicting that the global recession is almost imminent, as the virus outbreak impacts businesses and curbs consumer spending.

"We are going into a global recession. The necessary measures to contain the spread of the virus make that unavoidable," said Vítor Constâncio, a former vice president of the European Central Bank, on Thursday.

If that happens, then we are going to see much more bad news in the days to come, as the economic data turns negative and companies report earnings with the massive downward revisions.

Buying time for TFSA investors

In my view, that scenario will present a great buying opportunity for long-term TFSA investors to start buying their favourite dividend stocks at much lower prices. The primary reason many individuals fail as long-term investors, according to Benjamin Graham, the great investment analyst, is that "they pay too much attention to what the stock market is doing currently."

According to him, price fluctuations have only one significant meaning for long-term investors: “[It’s] an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal.”

The next challenge for TFSA investors is where they should deploy their cash when there is so much uncertainty. In Canada, some of the best dividend stocks are certainly offering attractive valuations, such as banks, which pay steadily growing dividends.

In this space, I particularly like **Toronto-Dominion Bank**. The lender has a very attractive dividend policy, supported by a diversified business model with a significant presence in the United States. It currently trades at $51.84 with a price-to-earnings multiple at just 7.86 and dividend yield of 6.10%.

Canada’s telecom utility **BCE** is another solid dividend stock with a current price of $52.23 and the yield above 5%. The company has a long track record of paying dividends and has endured many recessions and the market downturns.

Bottom line

The current market rout is opening many opportunities for TFSA investors to improve the overall return of their portfolio. That means slowly adding quality dividend stocks to your portfolio and sticking to your investment objectives.

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