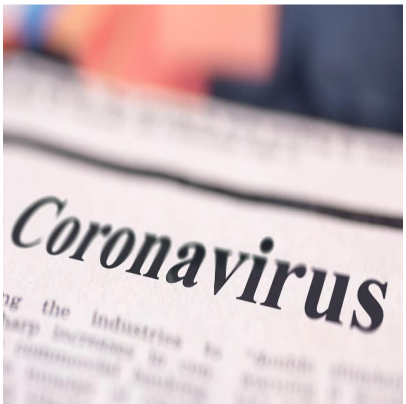

Coronavirus Bear Market: Use This TFSA Trick Now

Description

The coronavirus bear market has been difficult. Even blue-chip stocks are seeing shares fall by 30% or more. But if you invest with a TFSA, this is a *huge* opportunity.

TFSAs allow you to protect an unlimited amount of money from taxes. There are contribution limits, but no matter how large those deposits grow, you'll never have to pay a loonie to the government.

This is what makes the downturn so lucrative for TFSA investors. You now have a chance to buy stocks at a deep discount. If you remain patient, a few hundred dollars today can grow into a few thousand. Those thousands can eventually grow into *millions*.

But simply having a TFSA won't do the trick. You'll need to take specific actions during the downturn. Follow these TFSA tricks to capitalize on the coronavirus bear market.

First comes the easy part

The most powerful TFSA trick in history is to establish automatic contributions. This simple trick is your best bet for financial independence.

Here's how it works.

This year, the TFSA contribution maximum is $6,000. If you can afford it, you should *always* max out the annual limit. TFSA withdrawals are allowed at any time for any reason, so it's not like your money will be locked away for decades. Plus, withdrawals open up additional contribution room for the following year, so you never lose your contribution space.

At the start of the year, you could always immediately contribute $6,000. This isn't a terrible approach, but the better strategy is to dollar-cost average. That means spreading your purchases throughout the year.

For example, a $500 contribution each month would have you hit the annual limit by the end of the year. Staggering your purchases allows you to continue buying, especially in down months when stocks are cheaper.

Here’s the important part: don’t trust yourself to do this. Humans are fallible. It’s easy to forget to contribute. Additionally, when markets are falling, investors are scared to put more money to work, even though downturns are the best time to invest.

You can take matters out of your own hands by using *automatic contributions* — the greatest TFSA trick of all. Almost every investment account allows for this. They’re often referred to as recurring deposits. For example, you can have $500 transferred to your TFSA every 30 days.

With automatic contributions, all you have to do is wait. By the end of the year, you’ll have maxed-out your TFSA contribution room *and* continued to purchase shares when prices dipped.

Can’t afford $500 per month? No worries. The most important thing is to get automatic contributions started today. Build the habit. It’s easy to up the deposit amount in the future. Even $100 per month is a great start.

Now comes the hard part

Automatic contributions ensure you continue saving on a regular schedule. They also force you to buy when markets tank. But you still need to know which stocks to buy in the first place.

The coronavirus bear market has created scores of deals. Many stocks have bright futures but trade at dirt-cheap valuations. Don’t just look at the stocks you currently own. Do your own research and identify undervalued companies. Automatic contributions will do the rest.

CATEGORY

1. Coronavirus
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/24
Date Created
2020/03/27
Author

rvanzo