Market Crash: How TFSA Investors Can Turn $10,000 Into $100,000

Description

If you're holding a Tax-Free Savings Account (TFSA) holder, now could be a great opportunity for you to snag some deals out in the markets that can set up your portfolio for some significant returns later on. With many stocks trading near their lows for the year, there are many opportunities out there for investors to earn a strong return.

For instance, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) has been trading around $50-$60 over the past few weeks. That's well below the $75 that the stock was trading at before the coronavirus sent the markets into a tailspin.

And shares of TD probably should have been trading even higher than that — closer to $80 instead. But unfortunately, the past couple of years haven't been strong for financial stocks, and this market crash could make 2020 an awful year for just about every stock.

But that's what makes buying TD stock such a great opportunity right now. If you were able to buy shares of TD at around $55 and it does climb back up to around $80 after the market recovers, that's a potential return of 45% right there. A $10,000 investment could quickly jump to over $14,500.

As well, buying shares of TD today also means that you can lock-in a dividend yield of about 5.5%. That's in addition to the capital appreciation you'll learn along the way. Bank stocks typically follow the market closely, as is indicated by TD's beta value of 0.92.

From 2015 through to the end of 2019, shares of TD rose by 31% — and that's with a lacklustre 2018 where the stock fell by 8%. Over a five-year span, that's an average return of 5.5%.

Together with its dividend, investors could earn an average of 11% per year from the stock's normal returns as well as its dividend.

How long it might take to reach $100,000

While it may take a year or two for the stock to recover, once it does, it could rise 40% to 50% from where it is today. If the $14,500 investment were to grow at 11% every year, combining both dividends and modest 5.5% gains on average, it would take approximately 19 years for the value of the investment to reach $100,000.

Although it's not a quick turnaround, that should never be the goal with investing. Once you start looking for quick wins, you're in danger of generating losses and owning bad stocks. TD isn't a bad stock, and the combined returns you can earn from it may even be in excess of 11% once the economy ramps up again.

Bottom line

Buying shares of TD is a low-risk move for TFSA account holders that also gives them an excellent opportunity to buy the stock at a bargain. Bank stocks may not offer lucrative, short-term returns for investors. However, if you're looking to build wealth over a long period, then TD could be an ideal buy.

It's one of the top bank stocks in the country and one of the largest stocks on the TSX. With locations in the U.S., it can also benefit from their economy's growth. TD is a great buy today and investors should consider adding it to their portfolios today.

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