Market Crash: How to Invest $6,000 Now

Description

The recent market crash has sent stocks tumbling to lows not seen in a few years. While this may be cause for concern for some investors, the Foolish investor planning for the long term can recognize now is an ideal time to buy.

Throughout history, we've observed that a bear market lasts for about 12 months on average. So, about a year after a market crash, the market recovers and continues growing.

Now, a global pandemic surely complicates things a bit, and maybe these deflated prices and economic uncertainty will last longer than 12 months.

However, if you truly have a long investment horizon, this market crash should be nothing more than a small speed bump.

Today, we'll take a look at a stock that TFSA investors with a long-term plan and an extra $6,000 to invest can pick up for cheap to hold for the long term.

BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is one of the major Canadian banks. It was founded in Montreal, where its head office remains.

BMO is one of the Canadian banks with a large footprint in the U.S., as it operates its BMO Harris line of banks offering American banking services.

With the market crash, BMO is one of the cheapest Canadian bank stocks available. Only **CIBC** sports a cheaper P/E ratio at this time.

Plus, keep in mind that CIBC is considered to be heavily exposed to the Canadian housing market — more than any other Canadian bank. So, CIBC's risk in that area could very well be what gives it the cheapest valuation on earnings.

Due to the recent market crash, BMO is trading at $70.18 as of writing. Consider that the stock was trading as high as $102.50 in early February.

While that fall is scary to some, it simply means there is plenty of share price upside for long-term investors. Just to return to pre-crash prices, BMO would have to gain nearly 45%.

So, if you think the market (and BMO) will rebound to previous levels and continue growing, your principal investment stands to gain, at a minimum, 45%. Then the rest is just gravy.

Dividend in a market crash

BMO also currently offers a 6.05% yield. That means investors can generate substantial passive income by picking up shares of BMO, even during the market crash.

With that yield, and assuming a somewhat modest annual growth rate of 3% on both the share price and dividend, a TFSA investor can turn $6,000 into nearly $75,000 in 30 years with BMO stock.

This calculation assumes the dividends are re-invested but does not include any new investment beyond the initial $6,000.

If we were to assume the investor also adds an additional $300 per month, the result ends up being over $500,000 instead.

Market crash strategy

Long-term investors with extra cash in hand can take advantage of this market crash. Since [blue-chip stocks] are so cheap now, investors can lock in mammoth dividends with huge upside in the share price to boot.

One stock that TFSA investors might consider is BMO. It offers one of the better value propositions among the Canadian banks today and has an attractive dividend yield.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Date
2025/08/18
Date Created
2020/04/06
Author
jagseguin