TFSA Investors: Double Your Money by Investing During a Stock Market Crash!

Description

If you have some extra cash lying around, a stock market crash can be a great opportunity to double your money — even more so if you invest in a TFSA. Crashes have always been great opportunities to buy low. If you hold your investments in a tax-free account, you get to keep more of your ultimate returns.

Over the past month and a half, global markets have been rocked by the “one-two” punch of COVID-19 and an oil price war. It’s a scary time. However, all of this will pass sooner or later, and stocks will rise once again. By investing strategically in a TFSA, you can keep some of those post-crash gains tax-free.

The overlooked part of “buy low and sell high”

Everybody knows that to invest successfully you need to buy low and sell high. It’s the first thing you learn in finance 101. Nobody *intends* to buy high and sell low. However, that’s what many people end up doing.

By waiting for stocks to rise before buying them, you increase your chances of buying at the top. This is why many investors are long-term losers, despite the historical tendency of stocks to rise. If you buy the top, you can lose money in a long-term bullish trend. If you buy the bottom, however, you’re certain to make money.

Of course, you can never be sure that you’re buying the bottom. Timing markets with that kind of precision is impossible. However, if you buy stocks after they’ve gone down, you *could* be at the bottom, which is, by definition, impossible if you buy after they’ve gone up.

In stock market crashes, even blue chips can double your money

One of the best things about buying stocks in down markets is that you can double your money on "boring" blue chips.

Take **Fortis** (TSX:FTS)(NYSE:FTS) for example. As a big utility stock, it's only likely to go up 5% in a good year. Add a 3.5% dividend in there, and you've got an 8.5% total return. That's not bad, but it will take almost nine years to double your money at that rate.

This is not so in a market crash. While Fortis is a low-volatility stock, there have been plenty of times when it has dipped 20% or more.

For example, between the 29th of December 2006 and the 27th of March 2009, it dipped 27%. If you'd bought at the March 2009 low, you'd be up 100% by June of 2016 — *without* factoring in dividends. Add dividends into the mix, and it would have taken fewer than six years to double your money. If you'd held those shares in a TFSA, you wouldn't have paid a penny in taxes on the gains!

One major caveat for this market crash

While stock market crashes always present opportunities for frothy gains, there's a major caveat for this one. Because many businesses are basically shut down right now, some could be at serious risk of bankruptcy. While it might be tempting to buy huge dips on stocks like **Air Canada**, they could be risky in light of potential insolvency. So, it's best to stick to ETFs and low-risk stocks like FTS.

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