TFSA Investors: Avoid These 2 Market Crash Mistakes

Description

Market crashes often bring a frenzy that drives many investors to make mistakes they may not commit in normal circumstances. As a Tax-Free Savings Account (TFSA) investor who is trying to make the most of savings, you need to move in this highly volatile bear market cautiously.

There are two mistakes that many investors make in the wake of the market crash. If you can avoid them and stay put, you stand a good chance of emerging from this market crash a winner.

Taking on too much risk

As a TFSA investor who is saving up and investing in raising capital for a specific purpose, you must be extremely careful about the risk you expose to your portfolio.

Yes, a high-risk investment can make you a lot of money, but if things go south, it can also eat into your initial investment. Once you lose your TFSA contribution room, you can't get it back.

Because of the extremely long bull run witnessed recently, many investors got too overconfident and started taking on too much risk in their investments. As the market starts to crash now, if you're not comfortable with how much your losses are and willing to wait it out, you've probably taken on too much risk.

Selling at the bottom

As a TFSA investor, you should also steer clear of selling at the bottom. When the market has already crashed, and the **S&P/TSX Composite index** has plummeted by more than 30%, selling your stocks right now may be the wrong move. Your stocks may have already seen the worst and might not plunge further.

When a stock has dipped too much, sometimes all you need to do is nothing. Keep in mind that you should buy low and sell high, instead of the other way around.

While making sure you're not taking too much risk or selling at the bottom, consider adding a relatively safe stock option to your TFSA portfolio. **Loblaw Companies** (TSX:L) has emerged as a suitable option to hedge your bets in the ongoing financial crunch.

Loblaw is the largest food retailer in the country, with its franchise operations spread across 22 local market banners. Loblaw's retail services also include pharmacies and apparel and its own label, selling everything from baby products to phones.

With the current wave of panic buying, it is clear that grocery businesses will remain one of the least affected by the COVID-19 measures. Loblaw is one of those few stocks that have gone in the exact opposite direction of S&P/TSX Composite performance.

After dipping following the market crash, it has regained its value and is currently trading at a price higher than its pre-crash value. Its stable retail footprint and business nature make it a decent option to buy in this market crash.

Emerging as a winner

By avoiding too much risk and not panic selling, a TFSA investor stands a good chance at withstanding the ongoing market crash and tough months ahead.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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