TFSA Investors: This Market Crash Could Double Your Money in 2 Years

Description

A stock market crash presents the perfect opportunity for you if you want to double your money in a few years. The situation does not look bright at all, with the COVID-19 pandemic raging across the planet and decimating global economies by shutting down all non-essential businesses.

However, if you can play your cards right and find the right stock to invest in, there is a chance for you to double your money — especially if you invest in a Tax-Free Savings Account (TFSA).

Market downturns are always a fantastic opportunity to pick up high-quality stocks at a bargain. If you hold your investment for the discounted price in a TFSA, you can keep all the returns once the stock recovers to higher valuations.

Over the past few months, global markets have been suffering the effects of the COVID-19 shutdown. The oil price war that recently ended also took its toll on the Toronto Stock Exchange. However, once all of this passes, and it will eventually, stocks will rise again.

I am going to discuss the strategy you could use to capitalize on the market crash and double your money through **Manulife Financial** (TSX:MFC)(NYSE:MFC) stock.

Don’t hold on to too much cash as the market recovers

To discuss how you can double your money in the current market crash, I will discuss the crash 12 years ago and the mistake many investors made. As a meltdown becomes apparent, it is a natural reaction for many investors to begin selling the shares they own in any and all stocks.

As investments dip below 5%, 10%, or even 20%, selling the shares makes sense. It helps an investor save a few dollars, as the company’s stock declines further. It leaves investors with cash that they can use to buy stocks at bargain prices. The question is, when do you get back into the market?

This was a problem plaguing investors back in 2008. In the aftermath of the crash 12 years ago, investors had plenty of cash they hoarded from the selloff frenzy. The problem is, most investors were not fast enough to pump that money back into the market. Those who kept sitting on the cash missed out on the opportunity to capitalize on the market recovery.

The perfect example from 2008

Manulife Financial taught investors an ideal lesson of how you can miss an ideal opportunity if you wait too long. MFC is one of the most prominent insurance companies in the world and provides financial services to customers all over the world.

MFC became one of the safest bets for Canadian investors as it rose to prominence. It exhibited extreme growth potential, especially from 2000 to 2007. On November 1, 2007, the share prices for this stock went as high as $44.23 per share. A year later, the stock fell to $26.50, as the carnage of the 2008 market crash ensued. The stock continued to nosedive as it hit $9.55 by March 9, 2009.

Most investors decided to cut ties with the stock. Compounded with the horrific news of the markets bottoming out, and the stock market situation being the worst they had seen at the time, investors became fearful about getting back into the market. By July of 2009, in a matter of a few months since its terrible low, Manulife climbed back up to $26.16 per share.

Manulife Financial is just one of the examples of mistakes investors can make in a market crash when they let their emotions rule their decisions.

Foolish takeaway

At writing, MFC is trading for $17.12 per share. It dipped by more than 50% between January and March 2020. The stock is up by 32% in the past month, and it can expect to recover to its more usual range as the markets recover.

It is paying shareholders a fantastic 6.54% dividend yield. It is a Canadian Dividend Aristocrat with a five-year dividend-growth streak. The company is also significantly more substantial than it was 12 years ago. Today, it enjoys a more robust financial position with reduced sensitivity to equity market movements. It generates revenues from its existing customer base without relying primarily on new sales.

Between its juicy dividend yield and potential capital gains, I think Manulife is in a decent position to double the money you invest in it and store in your TFSA. While I cannot predict when exactly the market crash will end, there are estimates that it could last for at least a year and a half until a vaccine can be designed for the novel coronavirus.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2020/04/23
Author
adamothman