Market Rally: The Chance to Become a TFSA Millionaire

Description

Most investors know by now that the best time to buy **TSX** stocks is during a market crash. When stocks fall rapidly, and the prices continue to get cheaper, they create major opportunities ahead of the inevitable market rally that will follow.

Everybody knows that the goal of investing is to buy low. And there is no better time to find low prices than during a market crash.

The problem is that when you're in that moment, it's impossible to tell that it's the right time to buy stocks.

There is no way to tell when the market crash will end and when it will start to rally again. So, the only thing we can do as investors is to buy at prices we know are appealing.

Market rally: How to make millions

Investors who can buy at the most opportune prices can set themselves up to make a fortune, as the market goes on a significant rally.

If you look at the last recession, even some of the biggest blue-chip TSX stocks have grown significantly in just the last decade.

Since the bottom of 2008, stocks like **Brookfield Asset Management**, **Canadian National Railway**, and **Alimentation Couche-Tard** are up 515%, 422% and 1,700%, respectively.

These returns are massive. And as much as a lot of these returns are a result of these stocks being high-quality businesses, it also has to do with the natural growth of the economy during that span.

If you took only CNR's return, the largest and therefore hardest company to grow, its share price still grew at a compounded annual growth rate (CAGR) of nearly 14%.

Compound income

The compounded rate is important for investors, and the higher the CAGR the stock can grow at through a market rally, the faster you will become a millionaire.

For example, if an investor started with $50,000 in savings, contributed no money to it, but was able to earn a CAGR of 14%, it would take only 23 years to grow that portfolio to $1 million.

For investors who don't have any funds today but want to start now and could save $5,000 a year, it would take you just over 25 years.

These are two modest scenarios in which an investor can earn $1 million in just 25 years or less by buying stocks ahead of a market rally.

A tip to keep it tax free

It's important investors use their TFSA to their full advantage. The TFSA is meant specifically for investors to save money and use it to make long-term investments.

By making these investments in a TFSA, you keep all the profits to yourself, which will vastly increase your compounding and earnings power.

Today's market rally

When markets started to crash initially, the rapid selloff of some stocks created some once-in-a-lifetime opportunities.

For example, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is a stock that's already returned more than 100% in just one month of the market rally.

Pembina is a midstream energy infrastructure company. The stock was being sold off due to coronavirus fears, but the selloff escalated when Russia and OPEC failed to make a deal in early March.

Initially, fears sent the stock as low as $15.27 at one point. That was a decline of roughly 70% in just a few weeks.

However, investors who knew what a strong business Pembina was were quick to buy up shares. At that price, the dividend yield was more than 16%.

So, investors who acted quickly enough have already seen a more than 100% capital gain on their investment and can expect to earn a massive dividend yield going forward.

Bottom line

Pembina is just one example of a high-quality opportunity before a stock market rally. The more high-quality businesses you can identify in times like these, the more prepared you'll be when stocks sell off to buy them at the cheapest prices possible.

After all, as much as it's about buying stocks low, you also have to buy the best TSX stocks you can.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2020/05/01
Author
danieldacosta