The Worst Mistake TFSA Investors Can Make Right Now

Description

There is panic and uncertainty everywhere in the midst of the COVID-19 pandemic. The economy is shrinking, millions of people are losing their jobs, and there is no clarity as to when the world will be a normal place again.

This is a kind of environment in which investors lose their hope and don't take advantage of stock prices trading at much attractive levels.

If you're a long-term investor, using a Tax-Free Savings Account (TFSA) to build wealth, this is the worst mistake — and one you should avoid making. In my opinion, this is an ideal time to put your money to work.

Of course, no one knows how long this bearish spell in many stocks will last. But, according to Benjamin Graham, the great investment analyst of the 20th century and Warren Buffett's mentor, investors should reconcile themselves to the probability that stocks will fall by 33% or more at least once every five years.

So, if you're a do-it-yourself TFSA investor and sitting on the sidelines with cash, the recent slide in some of the top-performing **TSX** stocks is an opportunity for you to start building your portfolio.

3 attractive stocks

In Canada, there are many sectors you can target to identify stocks that fit in your TFSA portfolio which you're building to earn regular income and capital gains. Chief among them are those stocks that are cash rich, have a dominant position in their markets, and can endure a long recession.

By applying this yardstick, I can identify three sectors that could fit in your TFSA investments, including banking, telecom utilities and power and gas companies.

Canada's top lenders, for example, have been very consistent in rewarding investors through steadily growing dividends. Canadian lenders, such as **Toronto-Dominion Bank** spend about 40-50% of their income paying dividends. Such predictability is unique and makes them very attractive targets for TFSA investors.

Similarly, large telecom utilities are generally considered defensive plays during the times of extreme economic downturn such as the one we're going through now.

Telecom services, such as your internet and wireless services are the last to go through a spending cut as they are considered essential services. **Rogers Communications Inc.** is one such stock from this group to stash in your TFSA.

Rogers is Canada's second-largest telecom company, but it has the largest market share of the country's growing wireless segment, dominating about a third of the market's revenue and subscribers.

If you want to gain exposure to one of the best-performing dividend stocks in the utility space, consider the shares of **Fortis Inc.** St. John's-based Fortis has a diversified asset base, providing electricity and gas to 3.2 million customers in the U.S., Canada, and the Caribbean countries.

Bottom line

In the face of the current, grim economic outlook, investing in stocks may not look like a good idea to many investors. But if you have a long-term approach to your investing, this is the best time to build your portfolio when stocks are selling cheap.

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