Want to Retire Wealthy? Make These 3 TFSA Market Crash Moves

Description

The 2020 pandemic has brought not only disruption in everyday living, but also concerns about meeting long-term financial goals. Canadians, young and old alike, have dreams of retiring wealthy. It's beginning to dawn on everyone that a market crash shouldn't prevent you from building wealth.

There are moves you can make that will keep you on track to fulfilling your dream. But to achieve your objective, you need your Tax-Free Savings Account (TFSA).

Shield your money from taxes

Maximizing the use of your TFSA will not lessen your income. All earnings, gains, or profits are tax-free. Thus, using this investment vehicle is a must if you want to keep building wealth, the pandemic notwithstanding.

The oil and gas industry is in a horrible state lately. Consider **Canada Natural Resources** (TSX:CNQ)(NYSE:CNQ) or CNR. This $26.82 billion oil producer is a dividend all-star with a dividend streak of almost 20 years.

In Q1 2020, the company reported a $1.28 billion net loss versus a $961 profit in the same period in 2019. Investors were expecting a dividend cut as a result of the staggering losses. To everyone's surprise, no such announcement came.

CNR is confident that its assets are capable of generating sustainable and significant free cash flow in the long term. The liquidity position is strong, while production is flexible.

The company is curtailing production in some high-cost conventional projects and oil sands operations. Because of weak oil prices, the production cut in May 2020 is roughly 14%. CNR is also actively helping to reduce greenhouse gas emissions. Its interim goal is a 25% reduction in the said emissions by 2025.

For TFSA users looking for a sound investment option, CNR is the one. It is a unique energy company that boasts of a robust economic, long-life, low-decline assets. You can factor in operational excellence and capital discipline.

CNR is currently offering a high 7.88% dividend. If you use your $6,000 TFSA annual contribution for 2020, your tax-free earning is $472.80. Because this energy stock is losing by 43.5% year-to-date, the $22.90 price is a good entry point for TFSA investors.

Maintain flexibility

Aside from the tax shelter advantages, you're keeping money in the TFSA to have flexibility. In case there's an urgent financial need during an economic downturn, you can make a withdrawal without incurring penalties.

Keep in mind that your gains are protected 100% of the time. If you can limit TFSA withdrawals, your balance will grow tax-free and compound over time.

Don't make the common mistake

You will pay a penalty tax when you commit a common mistake. Many users forget that there is a corresponding penalty when you over-contribute to your TFSA. The Canada Revenue Agency sets a contribution limit every year.

The practice has been going on since 2009 when the TFSA first came to be. You should be paying zero taxes on your TFSA, but if you break the rule, you will pay taxes.

Path to retire wealthy

Using your TFSA to the hilt, whether in a bull or bear market, is the right path to retiring wealthy.

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