Market Crash: A TFSA Investor’s Time to Shine!

Description

Most TFSA investors view a market crash as a travesty. They kick themselves over paper losses that not even the most seasoned money managers could have avoided. This kind of temperament is toxic and counterproductive to those who wish to build their wealth at an above-average rate over the long run.

Panicking is not an investment strategy. If you did so during the February-March market crash, you lost your shirt. But if you looked at the market turmoil as a chance to pick up pieces of your favourite businesses at discounts to their intrinsic value, you likely did pretty well over the following months, even if you didn’t buy at or around the bottom.

You don’t need to time the markets or catch the bottom of a market crash. Few folks can do this, and often, the pursuit of the market bottom is what leads many to stick on the sidelines, with hoards of cash that never get put to use when stocks collective go on sale.

TFSA investors: Remain calm and buy on the way down

To help ease the panic, know that the market always ends up bouncing back one way or another. Whether it takes a few months or a few years, as long as you don’t hit the panic button and sell your stocks, you’ll stand to do well as a TFSA investor, regardless of what curveballs Mr. Market throws your way en route to your retirement.

With a second coronavirus outbreak on the horizon, now is as good a time as any to prepare your shopping list before the ominous news has a chance to grip the markets again. Nobody knows what the endgame of this pandemic will be. But as a TFSA investor, you shouldn’t care to make a prediction, because odds are, you’ll be wrong. Instead, focus on what you can control and buy stocks that you deem to be undervalued once the next inevitable sell-off arrives. You probably won’t buy at the bottom, but fortunately, you won’t need to in order to do well over the long run.

Consider picking up shares of severely out-of-favour firms that are on stable enough financial footing to survive the coronavirus typhoon, no matter how much worse it stands to get.

Fairfax stock is nothing short of a bargain, especially if shares dip again alongside the broader TSX Index

A name like **Fairfax Financial Holdings** (TSX:FFH) is a worthy buy on the dip. The insurance and holding company is run by the legendary Prem Watsa, a man who has a knack for spotting and responding to macroeconomic trends but has fallen into a slump of late.

Watsa is one of the most patient TFSA investors you'll ever come across. He's also one of the boldest, with big bets on investments that he has conviction in, no matter how taboo or unorthodox. Both Watsa and Fairfax have lost their lustre of late, but if you're a long-term TFSA investor, it makes sense to bet on Watsa's comeback at today's near-decade-low valuations.

Fairfax is as much about preserving capital as it is about building it, even though the stock chart of FFH would suggest otherwise. When Watsa and company are right, they're right in a big way and can rally in the face of a market meltdown, as we saw during the Financial Crisis. On the flip side, when Fairfax is wrong, it's wrong big time, and prolonged periods of underperformance are possible.

Foolish takeaway on how TFSA investors should invest in market crashes

Today, Fairfax is looking to bounce back from one of the worst slumps in recent memory.

The stock trades at 0.74 times book and is the cheapest it's been in well over a decade. If you're a TFSA investor with extra money to put to work, Fairfax is a decent deep-value buy while shares remain stuck in limbo. Fairfax's underwriting track record has shown signs of improvement, and that bodes well for the firm, as it bounces back from this pandemic plunge.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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joefrenette