Income Investors: This 1 Mistake Could Stop You From Getting Rich

Description

If you're like many Canadian income investors and have opted to wait for the wild market volatility to settle (which will likely only happen once the COVID-19 pandemic ends) before you put your 2020 Tax-Free Savings Account (TFSA) contribution of $6,000 to work, you may not realize that you're running the risk of missing out on ample upside.

As an investor, you must weigh both the downside risk of investments as well as the risk of missing out on gains over a prolonged period of time.

By timing the market with your TFSA, no matter how logical your thesis on this pandemic-plagued market is, you could be leaving a tonne of gains on the table and may be unknowingly acting based on your emotions. If you're a young income investor, the risk of missing out on upside is arguably greater than the risk of short-term paper losses caused by excessive volatility.

Timing the market on economic fundamentals won't get you far in this kind of market

Stocks have continued to roar higher, despite a lack of meaningful progress with COVID-19. Fundamentally speaking, the recent market relief rally seems to make absolutely no sense, given that coronavirus cases are picking up in various states south of the border, while unemployment remains ridiculously high.

The stock market has undoubtedly unsubscribed itself from the economy. So, it's vital that, as an investor, you actually *invest* rather than trying to time your entry into this weird market with your TFSA funds that are sitting around, collecting negligible amounts of interest.

This market will always be unpredictable, and if you're planning on getting aboard the market roller coaster, now is as good a time as any, as the **TSX Index** looks to revisit its pre-pandemic heights thanks in big part to backing from the U.S. Fed and central banks around the world that are willing todo anything to accelerate the recovery from the coronavirus recession.

While it's comforting to have the backing of central banks, there's still no telling how markets will react if a second wave of coronavirus cases sparks a reopening rollback and further government-mandated shutdowns. As such, investors should ensure they're not exhausting their liquidity reserves, as they look to put money to work in this hectic market.

Get paid to ride the market roller coaster instead of settling for lacklustre interest on your savings

Instead of trying to time the market, consider picking up a one-stop-shop investment like the **BMO High Dividend Covered Call Canadian Equity ETF** (TSX:ZWC). The specialty-income ETF is a one-stop-shop investment for investors who are fed up with having to settle for sub-1% interest provided by those now ridiculously unrewarding savings accounts and would rather get paid a generous amount of income, regardless of what the markets end up doing next. At the time of writing, shares of the ZWC yield nearly 9%.

In prior pieces, I'd described the "covered call" strategy, which provides premium income that's added on top of the dividends and distributions provided by long positions within the ZWC basket. The premium income generated by covered calls caps the ZWC's upside potential, but if you're in the belief that stocks could stagnate in this pandemic, the ZWC is an ETF that could help you massively outperform the TSX Index.

Foolish takeaway

A high-yield ETF like the ZWC will have its ups and downs, but at least you'll stand to collect a 9% yield, rather than having to settle for near-zero interest rates with savings or short-duration bonds by staying on the sidelines.

"In an era where yield is scarce, ZWC is a must-buy if you're no stranger to volatility. Don't panic, buy the dip, and you'll probably be pleased with your results in a few years from now when the idea of a safe 10% yield will be unheard of." I said in a prior piece.

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