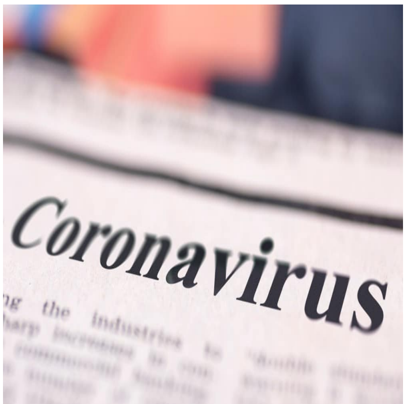

CRA: Don’t Let the Coronavirus Cause You to Make This Easy Mistake

Description

The past few months have seen significant volatility in stocks. Not only has negative news pushed stocks down, but programs from the CRA, like the CERB, have helped to stabilize economies as well as financial markets.

The coronavirus pandemic was the first issue to start the market crash. That was quickly accelerated by an oil price war at the same time the industry was seeing a major demand shock.

These are significant black swan events, so it’s not surprising that stocks were sold off rapidly. However, almost as soon as stocks sold off, governments stepped in with stimulus and low interest rates.

This set stocks on a major rally, which we have now seen. A lot of **TSX** stocks are near where they were in February; some have even surpassed their pre-pandemic highs.

In total, the market dropped by roughly 35% and then subsequently went on a major 35% rally in the last few months.

This has created huge gains for investors who’d bought at the right moment. Volatility like this can often make investors a lot of money. However, if you aren’t careful, it can also cause investors to make a tonne of mistakes.

CRA: Avoid this crucial mistake

When investors try to time the market or make speculative trades, it can be very easy to lose a lot of money. This can be devastating and set you back considerably.

Instead, investors are better off taking the long-term approach; this is why the best investor of all time is Warren Buffett.

However, all this volatility could see investors trying to make more trades to take advantage of the rapid price swings in TSX stocks. If you are using a registered investment account, like the TFSA, you need to make sure you aren't buying and selling too excessively.

If the CRA deems you to be trading too much or engaging in what it calls "business activity," you could be on the hook for taxes on those gains. And when you factor these consequences in, it soon becomes apparent that it's not worth it to trade frequently in a TFSA.

Instead, keep the CRA at bay and stick to high-quality stocks you can buy and never have to sell.

A TSX stock to buy

Instead of buying and selling stocks all the time, investors should look for the best businesses and plan to own them for the long term. That way, you don't have to worry about the CRA coming after you.

One example of a top TSX stock to own today is **Dollarama** (TSX:DOL).

Dollarama is the perfect long-term stock because of its incredible growth potential. The company has grown rapidly over the last decade, sending shares soaring. Dollarama has not only increased its store count; it's made huge strides in optimizing merchandising and pricing of its products.

This has led to a more than 1,000% increase in the share price over the last decade.

In addition to this massive growth, Dollarama is also a high-quality business that you don't have to worry about today. Because its business is defensive, it shouldn't see that much of an impact from an economic slowdown.

In fact, because it's helping consumers to save money by buying inferior goods, there is a strong possibility if it sees any impact at all, the change would be positive. So, in addition to its major growth potential, it could also play a significant role in protecting your portfolio.

Bottom line

It can be easy to chase short-term gains by frequently buying and selling TSX stocks. However, not only is this proven to be a sub-optimal investing strategy in the long term, but the CRA could also come after you.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/27
Date Created
2020/06/30
Author
danieldacosta