



TFSA Investors: 1 Stock to Buy During the Next Market Crash

Description

The Tax-Free Savings Account (TFSA) was introduced to Canadians just over a decade ago. The savings account was designed to provide Canadians with an option to [save for short-term goals](#). The Registered Retirement Savings Plan (RRSP) has remained the primary option for retirement savings.

Withdrawals are made completely tax-free, which is why the account can be used for short-term objectives. In addition to that, any gains made on the principal amount invested are not taxed. This means that if the contribution limit this year is \$6,000, investors can end the year with far more than just that in their TFSA account due to investment gains, as long as they're only contributing up to that \$6,000 that limit.

A major difference in comparison to the RRSP account is that you cannot use contributions as a tax break come tax season time. TFSA investors technically have already been taxed on their contributions, which explains why withdrawals are able to be made tax-free.

Are we nearing a market crash?

With a second wave of the COVID-19 pandemic looming, are we headed for another steep market crash? Either way, it's never a bad idea for TFSA investors to have an updated watch list for stocks they're looking to add at a discount.

When the COVID-19 pandemic first hit, economies across the globe took a massive hit. The **S&P/TSX Composite Index** dropped a staggering 37% in just over one month. While the market has since gone on an incredible run dating back to that March 23 low, it's still down a couple of percentage points on the year.

For TFSA investors with cash ready on the sideline, I've reviewed a top tech stock worth a look if we do get hit with another crash.

Constellation Software

The Canadian tech company, **Constellation Software** ([TSX:CSU](#)), has a very rich history of delivering market-beating returns to investors. Over the past 10 years, the stock has grown close to 3,500%. Not too bad considering the Canadian market has returned just under 50% during that same time frame.

Constellation Software is in the business of software development. The tech company designs software for vertical-specific industries, which includes both private- and public-sector companies. Private sector clients include a wide range of industries, while public sector customers consist mainly of government-related clients.

The company has [turned to acquisitions](#) in the past to help accelerate revenue growth. Investors trying to find the full details on the company's list of acquisitions may come up a bit empty-handed, though. Constellation Software believes that limiting the amount of information shared to the general public helps keep acquisition prices low.

Don't sweat the high valuation

The company is far from a cheap stock at today's price, but the premium is definitely warranted. After driving more than a 3,000% growth over the past decade, [TFSA investors will need to pay up](#) to own shares of a company with that type of track record.

The company trades today at a forward price-to-earnings ratio of 37, and a price-to-sales of 9.

Foolish bottom line

Whether you're investing in your RRSP or TFSA account, you can't go wrong with picking up some shares of Constellation Software.

The tech company has an incredible history of significantly outperforming the Canadian market, and it doesn't look like it has any plans of slowing down just yet.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. constellation software
2. tech stocks
3. TFSA
4. TFSA investing

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. constellation software
2. tech stocks
3. TFSA
4. TFSA investing

Date

2025/07/02

Date Created

2020/08/13

Author

ndobroruka

default watermark

default watermark