



TFSA Investors: Add This ETF to Your Portfolio Now!

Description

2020 certainly has been a crazy and volatile year. The stock market has been all over the place, first reacting rapidly to bad news and more recently recovering with good news. This has made it extremely difficult for TFSA investors.

For example, at the moment, some of the market is rallying on positive vaccine news. But we are right in the midst of the second wave, which is seemingly a lot worse than the first.

This is creating a lot of uncertainty and a lot of divergence in markets. Some stocks are rallying as if the pandemic is over, while others are being sold off like they may not survive.

So, although the end of the pandemic is in sight, we still have a long way to go. That's why one asset that every investor should consider adding to their TFSA today is gold.

Why do investors buy gold?

Investors can buy gold in their TFSA for a whole host of reasons. However, one of the most popular reasons to buy gold is because it's a safe-haven asset. That means in times of uncertainty, gold prices tend to get a bit of a boost, as investors gain exposure to the precious metal.

That's part of the reason why it's gotten cheaper lately. These days, investors think the risks in markets are diminishing with the numerous effective vaccines and the end of the pandemic now seemingly on the horizon.

However, as promising as that vaccine news is, we are in the midst of the second wave of the virus, which, by all measures, looks to be a lot worse than the first. This means there is still a tonne of uncertainty as the economy struggles to handle another surge.

While gold is thought of as a safe-haven asset, it's also treated like a currency. That means [gold](#) tends to rise as the U.S. dollar falls and why the precious metal is used as a hedge against inflation.

So, when a tonne of stimulus is added to the economy or interest rates are ultra-low (both have been happening in 2020), then the price of gold tends to take off.

Why should you buy gold for your TFSA today?

I would advise all investors to consider at least a small portion of exposure to gold in your TFSA. Gold should never be a large holding, but it can be crucial to help stabilize your portfolio in times of uncertainty like we see today.

Although it's extremely promising that a vaccine is coming, it doesn't mean there won't be more trouble in the short term. With all the economic carnage, countries like the U.S. are weighing another potential stimulus package that lawmakers can agree on before Christmas.

And I doubt if that one gets passed soon, they won't need another one again in the spring. So, gold has a tonne of catalysts over the next few years, with stimulus and ultra-low interest rates being the top two.

Plus, because gold has been sold off over the last few months, now is the perfect opportunity for investors to add gold to their TFSAs.

Buy gold stocks

If you have a favourite [gold stock](#) to buy, it may be time to gain some exposure. If you don't, fear not; **iShares S&P/TSX Global Gold Index ETF** ([TSX:XGD](#)) is a perfect fund for every Canadian investor.

The XGD offers Canadians exposure to several top gold-mining stocks. It's an ideal investment, because it's leveraged to the price of gold just as gold stocks are. That means if the price of gold rises by 5%, you can expect the ETF to increase by roughly 10% in price.

That's one of the main reasons why investors buy gold stocks rather than the precious metal. However, each gold stock has certain risks. So by buying the ETF in our TFSA, we can diversify across multiple gold stocks to still have a tonne of leverage but reduce our risk considerably.

Gold has been one of the most reliable assets to own through the pandemic. So, with a tonne of uncertainty in markets and more stimulus that is needed badly, it's one of the best investments you can make today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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1. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

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1. Business Insider
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Author

danieldacosta

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