



## TFSA Investors: Will 2021 Be Worse Than 2020?

### Description

The contribution limit for the Tax-Free Savings Account (TFSA) was just announced. Yet again, Canadians have another \$6,000 to invest in their TFSA. That brings the total from \$69,500 to \$75,500 worth of contribution room from the Canada Revenue Agency (CRA).

But it has many Canadians considering: what is the best method to take in 2021? This year was awful for investors. Even now, with stocks on a rebound, economists continue to warn that more market crashes (yes, plural) are on the way. A volatile market, even at all-time highs, is still volatile. So, what are investors to do? Could 2021 be even worse than 2020?

### The bear view

It's true that a market crash is well on the way, and more are quite likely to come after that. Right now, it all comes down to COVID-19, of course. Cases continue to soar across the country, and as they do, the virus closing up more and more of the country. Multiple cities are on lockdown — a process that takes a minimum 28 days to complete. Beyond that, a huge part of the country is in the Red Zone, just a step away from lockdown. With the holidays upon us, it's quite likely that more cities will enter 2021 in lockdown mode.

What this means is, we are in for a number of poor earnings reports that will sour this booming stock market. Cases will continue to rise, lockdowns will continue to happen, and businesses won't be sure where to go next. Meanwhile, the government will likely have to take on even more debt to keep these businesses and Canadians financially afloat.

I recently [wrote about when](#) exactly I think the next market crash would happen, and it could be as early as mid-January and as late as March. These are the next two earnings seasons. What it comes down to is how bad COVID-19 cases get, and it's likely that if it continues to soar, we'll see a market crash sooner as opposed to later.

## The bull view

So, if this is all happening, why is the market booming? It all comes down to the COVID-19 vaccine. As of writing, Canada has seen its first dose of the vaccine in Quebec. These vaccines will continue to be given out across Canada, first to those who need it most, then likely to those in long-term-care homes and its workers. By June of 2022, it is estimated that the vaccine will be widely available for everyone to use.

Yes, you did read 2022, and while that seems like a ways off, it does at least give hope for next year. This year was terrible, and we had little hope or knowledge of how to prepare our health or finances for a pandemic. The good news is, now we do. The country knows how to keep businesses open as much as possible, even during a lockdown. Meanwhile, the largest crash is likely behind us.

So, while yes, it is going to take years likely to rebound completely, the stock market will likely soar once again. Overall, we are likely to continue seeing dips in the market for a while. But you can prepare. First, if you are worried about a few stocks not holding up during the crash and have a profit, sell it now. Then look for stocks that could see you through the next few years. Even better, find stocks that you can hold for decades. Then put on blinders and remember that overall, the stock market trends up — especially when you have strong stocks with a solid future.

## Bottom line

You can and should prepare now for multiple market crashes. You don't have to sell everything you have and take out cash. Instead, you can always sell a bit of your stake at a time and start buying back stocks during downturns. You'll see strong returns in the next few years by doing this, and even stronger returns when holding out for the long run. Don't let a market crash scare you. Just be [prepared](#) and have your TFSA ready.

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