Why TFSA Investors Shouldn't Worry About a Market Crash

Description

The Canadian stock market continues to struggle this year. After inching moderately up by 3.1% in the first quarter, the **TSX Composite Index** has lost 10.4% of its value in the second quarter so far. While sectors like healthcare, technology, and real estate have mainly led the broader market carnage, energy and some mining stocks are witnessing handsome gains due to a rally in commodity prices.

As the U.S. inflation recently climbed to its highest level in more than four decades, investors have adopted a risk-off strategy amid fear of a bigger market crash. In this article, I'll discuss why TFSA (Tax-Free Savings Account) investors with a long-term investment perspective might not need to worry about a market crash and a looming recession.

Could a market crash affect TFSA investors?

Since the TFSA program started in 2009, it has allowed Canadian investors to save money with discipline, invest, and get tax-free returns. Long-term stock investing could be one of the best ways TFSA holders can multiply their hard-earned savings. That's why TFSA investors might want to avoid short-term market noise and remain focused on the long term, irrespective of market conditions.

Also, such conservative investors should include some quality dividend stocks in their portfolios, which would help them remain largely unaffected by short-term market corrections and a crash.

TFSA investors can do this amid a market crash

Long-term investors should see a market crash as an opportunity to add more fundamentally strong to their TFSA at a big bargain. For example, the recent market selloff has made many quality dividend stocks on the TSX, like **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), look really cheap. If the recent market selloff turns into a bigger crash, it could make such stocks look even more attractive. Now, let me tell you why I find Pembina stock attractive for TFSA investors.

Pembina Pipeline is a Canadian energy infrastructure giant with a market cap of $26.8 billion. While the company has a presence across North America, its natural gas pipelines in the United States are its biggest source of revenue. In 2022 so far, PPL stock has risen by 27% against a 7.6% drop in the TSX Composite benchmark. Pembina Pipeline's well-diversified energy infrastructure business helps it generate predictable cash flows and reward its investors with handsome monthly dividends. At a current market price of $48.67 per share, it has an impressive annual dividend yield of around 5.3%.

While a sudden slump in demand for energy products took its revenue down by 1.9% YoY (year over year) in 2020, its adjusted earnings still rose by 1.5% from a year ago to $4.20 per share. As the business environment and the demand for energy products improved in 2021, Pembina registered a 1.7% increase in its adjusted earnings to around $4.27 per share. While the ongoing growth trend in its financials looks impressive, Pembina is now focusing on increasing its growth further in the long term. This is one of the key reasons why the company has increased its focus on lower-carbon energy as well as on new opportunities in carbon-capture and hydrogen segments.

Bottom line

Undoubtedly, a stock market crash may look horrifying to new investors. However, long-term TFSA investors should continue focusing on building wealth in the long run by buying cheap stocks amid short-term market drawdowns.

CATEGORY

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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
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Date
2025/08/24
Date Created
2022/06/16
Author
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