New Investors: 1 Cheap Canadian Bank Stock to Start a TFSA Retirement Fund

Description

It's about time that new investors use their latest TFSA (Tax-Free Savings Account) contribution room to buy something. Nobody knows where markets are headed next or if the economy is headed for a recession. What we do know is that stocks, on average, are down by anywhere from 15% to north of 30%.

High-multiple tech and growth stocks are likely down north of 30%, while value plays may be flirting with a bear market. Undoubtedly, new investors will feel the full chop of the volatility that could be in store in the second half of 2022. That said, valuations are starting to look pretty good, not just in growth, but in other sectors that have been neglected by investors and dragged down by Mr. Market.

The way I see it, it's far better to buy stocks now that they're 15-30% cheaper than they were to start the year, rather than hoarding cash and surrendering more than 7% in purchasing power to the hands of inflation.

At the end of the day, young and new TFSA investors need to build wealth over the course of decades. The latest market slump is less meaningful in the grander scheme of things. Though it's a huge detriment to retirees or those nearing retirement age, corrections and bear market spills are a good thing for new investors who know how to tilt the odds in their favour.

How does a new investor make the most of a market selloff?

Be contrarian. Don't pay too much merit to any single piece of advice from a talking head who may be near-term oriented. And do your own homework when it comes to individual stocks.

The greatest investor of our time, Warren Buffett, couldn't care less about economic projections. He's all about buying stocks of solid companies at decent prices. That's all there is to it for long-term TFSA investors that will see the economy's big ups and downs. For new investors, this may be your first bear market. However, it will not be your last. Treat it, not as a setback, but as a chance to find quality merchandise at a marked-down price.

I like to view market corrections and bear markets as akin to Boxing Day sales or Black Friday blowouts. Even if things are worse than they seem, markets tend to go up over the long run. In the near term? Nobody knows.

A Canadian bank with staying power

Currently, I'm a big fan of the financials after they took a hit to the chin over fears of a rate-induced slowing of the economy. **National Bank of Canada** (TSX:NA) is a Big Six underdog that may have a few tricks up its sleeves, as it looks to pull ahead of its larger rivals.

The number-six bank is more than capable of taking share, as it ventures into provinces where its peers are more dominant. Further, it can take a page out of the fintech playbook, as it looks to get more competitive on the fee front with retail investors. National Bank already scrapped retail trading commissions. Next, it may decide to match the interest rates provided by small fintech firms and improve the value proposition with the inclusion of financial technology.

The stock trades at 8.65 times trailing earnings, with a 4.4% dividend yield, making it a bargain after enduring a 20% plunge from its peak. While the big banks will suffer if loan growth erodes in an economic downturn, I think that things are never nearly as bad as they seem in the heat of the moment.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/06/28
Date Created
2022/06/28
Author
joefrenette