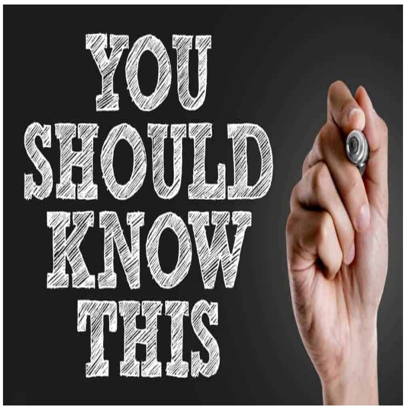

TFSA or RRSP: Number 1 Rule of Investing

Description

No matter if you're investing in your Tax Free Savings Account (TFSA), Registered Retirement Savings Plan (RRSP), or other accounts, for that matter, the number one rule of investing has always been to "never lose money," as stated by Warren Buffett.

When stocks were rallying after the March 2020 pandemic market crash, capital preservation wasn't on many investors' minds. Making money was. Now, we're in a time where capital preservation is at the top of a lot of investors' minds. In fact, some portfolio managers are holding a cash position of 30%! They're waiting for the market to give the buy signal.

You can improve your chance of never losing money by following these tips.

Be a long-term investor

Warren Buffett doesn't think you should buy stocks with the intention of selling them quickly. Here's a famous quote by the Oracle of Omaha:

> "If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."

Even if you happen to buy a stock at a market peak, if it has an underlying great business, you still have a chance of eventually making a profit on your investment if you hold it for a sufficiently long time.

Buffett is also a value investor. He'd love to buy businesses on sale. Of course, wonderful businesses (or stocks) don't go on sale very often. And when they do, they never appear to be as cheap as stocks that are not as high quality.

In a market-wide downturn, like the one we're experiencing now, you'll find many undervalued stocks — so many that you don't have enough capital to go around. In this case, you'll have to pick your stocks extra carefully.

Determine which sectors or industries you want to invest in for the long term. Make sure your portfolio is sufficiently diversified. Pick the best businesses for your diversified portfolio. And determine price ranges you're willing to start easing into each stock.

A year ago, when the stock market was still intact, dividend stocks received little attention. Now, investors are probably more focused on dividend stocks — specifically, stocks that pay nice dividend yields.

Buy dividend stocks

Warren Buffett also love dividend stocks. Of course, we're basing on the premise that the dividend stocks pay out safe dividends. This is why you must analyze your dividend stocks carefully to ensure they actually do pay safe dividends. Who doesn't enjoy having the peace of mind of receiving safe and (ideally) growing passive income?

Even defensive utility stocks have been selling off lately. If you're really risk averse, you can look for an entry point in a regulated utility like **Emera** (TSX:EMA).

Approximately 70% of the utility's capital program is in Florida. Its focus on fourth-largest economy in the U.S. should allow it to grow at a faster rate than its peers. Indeed, its multi-year capital program targets rate base growth of about 7-8% per year from 2020 to 2024.

At $58.68 per share at writing, Emera stock is down 10% from its 52-week and all-time high and offers a safe yield of 4.5%. It's not at bargain levels yet. But who knows? This market selloff could provide an even better opportunity to buy. Conservative investors should have Emera on their radars.

Emera has been increasing its dividend for about 15 consecutive years. According to its 10-year dividend yield history, the utility stock could be a good buy when it hits a yield of at least 5%.

EMA Dividend Yield data by YCharts

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

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

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/17
Date Created
2022/09/27
Author
kayng