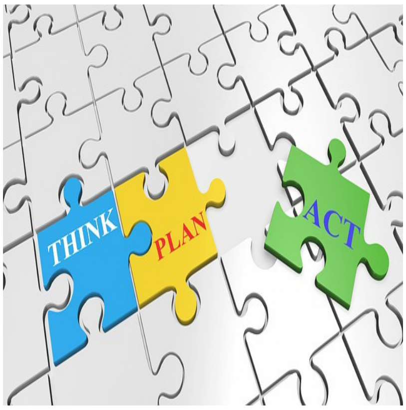

Is Your Portfolio Protected From the Next Crisis?

Description

With the Canadian stock market having dipped ~3% in the last two weeks (which is hardly anything), and the U.S. stock market trading near its all-time high, it's a good time to wonder if you are protected from the next crisis in the markets.

How can you protect yourself and your portfolio from the next crisis?

Focus on value

Always buy stocks for less than what they're worth and sell or trim the positions as they trade near your calculated intrinsic value of each stock.

For example, I sold out of my **Fortis Inc.** (TSX:FTS)(NYSE:FTS) position at the $46-per-share level for a total return of more than 29%. I didn't sell at the top, but I understand it's impossible to do so. And if I did, it would have been sheer luck.

The regulated utility is looking better valued after the pullback, but with the interest rate hike headwind, the market is likely to continue weighing down on the stock (and other debt-heavy stocks), at least in the near term.

Invest money that you don't need for a long time

Assume that the money that you invest in the stock market is locked in, so you won't be forced to sell in a down market.

Most market downturns won't last more than 18-24 months. A retiree I've spoken to had three years' worth of living expenses in cash, so he could ride through a crisis like the one we had in 2008-2009.

Have a goal in mind for each stock holding

Some stock holdings are for income. Others may be for growth. Some may be for trading. Others may be for long-term holding. When you have these attributes written out for each stock holding, you'll more likely get the most out of each stock or trade.

For example, I recently bought some shares of **Plaza Retail REIT** (TSX:PLZ.UN). The stock is trading below its normal multiple. If it trades at the normal multiple again, it could appreciate +23% from the current levels. However, in the worst-case scenario, I'm ready to just hold on to the stock and enjoy its +6% yield, which is sustained by a reasonable payout ratio.

Have little to no use of leverage

It's understandable if you have a mortgage for your home, but other than that, hopefully, you won't have too much debt. The heavier your debt load is, the more stressful it'll be when a tsunami hits the markets. If you have lots of debt, pay down the high-interest ones (e.g., credit cards), first.

Build a cash position

If there isn't any stock that's attractive to you, don't feel pressured to buy anything. Build a cash position by collecting dividends or saving, say, 10% from your paycheque.

Some investors have as much as 30% in cash they're ready to deploy on meaningful dips of quality companies due to temporary issues, or they're waiting for the next big market downturn.

What will you do to protect yourself and your portfolio from the next crisis?

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:PLZ.UN (Plaza Retail REIT)

PARTNER-FEEDS

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