



How to Survive a Stock Market Crash and Keep Buying Stocks

Description

Talking about a stock market crash is possibly the biggest taboo in investing circles — especially if it looks as though it might actually happen.

But it has to be said: things are looking shaky. The TSX index fell more than 200 points at the start of the week, with only utility stocks keeping the side up, while stock markets everywhere wobbled on news of further protectionist developments. Commentators are starting to ask: could a trade war cause a full-on depression?

On a purely precautionary note, here are a few things to keep in mind should things take a turn for the worse.

Watch for signs of a crash, but keep a cool head

What you're buying now should be defensive, healthy stocks. Dividends are nice to have, but don't be swayed by unhealthy stocks offering unrealistic rewards.

Any stock that you would have considered for your TFSA, RRSP, or RRIF would be a good example of a crash-proof pick, but don't be overly reliant on income stocks. Look for [stocks with the best overall strength](#) instead of singling out stocks for great, big dividends or crazy high-growth forecasts. Select stocks for their long-term chances of survival and likelihood to rebound after a sharp and possibly protracted downturn.

Look to the classic defensive stocks: get the most solid gold, food, and financials. **Goldcorp Inc.** (TSX:G)(NYSE:GG) is one of the most solid gold stocks, so if you want exposure to the yellow stuff, you can't go wrong. For a decent consumer defensive, look to **Loblaw Companies Ltd.** (TSX:L), arguably the best Canadian food retail stock. The top banking stock on the TSX is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), so pick it up for its [dividends and long-term stability](#).

Meanwhile, go window shopping

In other words, pick the stocks you would like to own after a crash. Make a list of everything you would

buy if it were suddenly dirt cheap. Have fun with it and write it down somewhere. You may find that you will come back to this list later.

Remember that the stocks you pick to buy *after* a crash do not have to be the ones you would hold *during* a crash. Note down desirable stocks that are a little risky right now but have high-growth forecasts because of their sectors.

Anything that you would buy if it weren't currently overvalued should go on your wish list. Think of stocks that will climb after a crash, especially physical infrastructure stocks like **Canadian Pacific Railway Limited** ([TSX:CP](#))([NYSE:CP](#)). Currently twice the price it should be, Canadian Pacific Railway is a desirable stock to watch for a value opportunity after a crash.

The bottom line

If a crash comes, keep calm and stay invested. Don't sell your favourite stocks just because everyone else has gone full bear. Remember that markets always swing back up, even if it takes a little time. And keep in mind that a crash offers opportunities — go back to that list you made of stocks to own after a crash and buy them cheap while everyone around you is counting their losses.

If you keep your head, hold the right stock, and pounce when everyone else is hurting, you'll be living the contrarian dream. And by holding on to your money before a market crashes, you might actually be investing in its recovery.

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3. TSX:L (Loblaw Companies Limited)
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