3 Brilliant Moves to Make if the Market Tanks Again

Description

For some investors, corrections can be harrowing experiences — doubly so if there hasn't been a major one in a long time. Although the recent correction has not (so far) been massive, it began at an ominous time: the average bull market lasts eight to nine years, while the average bear market lasts just 1.4. The recent downturn came after 9.5 years of mostly steady gains, which raises the question of whether we're in for a protracted bear market. We're not quite there yet. But with signs like rising interest rates, a housing slowdown, and high debt on the horizon, there are reasons to worry.

But you needn't fret too much. With the right investment strategy, you can make it through a prolonged bear market without a scratch. In this article, I'll be sharing three solid moves you can make in the event of another market collapse, starting with one that makes sense both in good times and bad.

Buy dividend stocks (and reinvest)

Corrections are good times to buy any type of stock. But for jittery investors who can't handle seeing prices go down, dividend stocks provide peace of mind in the form of income. Some stocks offer income that beats bank interest and even most bonds. Many bank stocks, for example, have yields in excess of 4%. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is just shy of that mark at 3.95%, but with a 9.3% annual growth rate, the income on TD shares bought today could double in a little over 10 years. You can also increase the pace at which your income rises by reinvesting your dividends.

Invest in utilities

From October 18 to December 31 of last year, **Fortis** (TSX:FTS)(NYSE:FTS) shares rose from $42 to $45.51 — an 8.3% gain. The TSX, by contrast, fell 7.7% in the same period. Was it good luck or incredible fundamentals? Hardly. The most likely explanation for Fortis's rise during the correction was the simple fact that it's a well-regarded utility stock.

Investors flock to utilities in times of economic uncertainty, because they have dependable income streams that won't be hit too much by economic malaise. This dependability is the reason that Fortis has been able to raise its dividend every year for 44 consecutive years. It should be noted that Fortis itself suffered some earnings misses in 2018 owing to U.S. tax changes and losses on Aitken Creek derivatives. However, its cash flow is strong enough to continue raising its dividend for the foreseeable future.

Pay off debt

Last but not least, if you find yourself in a down market that shows no sign of picking up steam, one great move would be to pay off debt. A liability is the opposite of an asset, so paying down debts can be thought of as a kind of inverted investment. Certain types of debt have interest rates that exceed stock market returns in even the best years. In Canada, for example, the average annual interest rate on a credit card is between 19% and 20.99%. If you don't see any stocks you like, paying off those types of debts can be a great alternative. And regardless of what's happening in the markets, it's always good to keep your "personal balance sheet" in the black.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/09/19
Date Created
2019/01/12
Author
andrewbutton