



## Worried About a New Recession? Here Are 3 Ways to Protect Your Savings

### Description

The economy is a fickle thing. Changing at a moment's notice, it can put a stop to even the best-thought-out financial plans. A prolonged bull market can easily turn into a protracted bear. A growing economy can slide into recession. An industry that was once a growth driver can become stagnant or irrelevant.

Today, we're living near the tail end of almost 10 years of economic growth. Although the markets have had some short downturns in this period, it has mainly been smooth sailing since the 2008-2010 recession. Historically, business cycles tend to last about somewhere between five and nine years, meaning that we're long overdue for a recession at this point. And indeed, many economists and money managers are sounding the alarm. According to Bloomberg, two thirds of U.S. economists think a recession is coming by 2020. These include big-name academics like Nouriel Roubini and money managers like Ray Dalio.

Regardless of timing, it's certain that another recession will happen eventually. If you're concerned about new economic downturn, here are three principles that can help you get through one in decent shape.

### Create an "all weather" TFSA

Bridgewater Associates is the largest hedge fund in the world. Its founder, Ray Dalio, came up with the concept of an "all-weather" strategy, a portfolio approach designed to work in up or down markets. And work it does, as Dalio's fund made it through the late 2000s recession without a scratch.

There are a number of classes of stocks that tend to do better than average in down markets, and utilities are one often-cited example. Others include discount retail, vices (beer/tobacco, etc) and fast food. If you want to directly emulate Dalio's all-weather strategy, consider a stock like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), which is the [17th largest Bridgewater holding](#).

## Consider physical assets

Physical assets can do well in recessions, but not all physical assets are created equal. Real estate is technically a physical asset, but it tends to fall in economic downturns. Remember that U.S. house prices tanked during the late 2000s recession.

“Recession-proof” physical assets are precious metals like gold and silver. Not only do these assets tend to appreciate over time, but they’re also impervious to any financial meltdown if you physically possess them. A bank run can’t hurt a pile of gold sitting in a storage safe, nor can hyperinflation. So it’s not surprising that when the bottom falls out of everything else, gold tends to thrive.

## Escape from bondage

During a recession, you should avoid the temptation to buy bonds. Although bonds can be comparatively safe in recessions, they will pay very little if [central banks lower interest rates](#). Bonds do perform better than stocks during economic downturns, but are inferior to gold in this respect. Between bonds and precious metals, the latter is easily the better recession-proof pick. It’s the simpler pick, too, because you don’t need to consider things like the creditworthiness of a borrower when buying gold.

### CATEGORY

1. Bank Stocks
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### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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