3 Brilliant Moves to Make if a Recession Hits in 2020

Description

If you're worried about your money, you're not alone. According to fund managers that control more than $100 billion, the next recession is on its way. In a recent **Bank of America** survey, the highest percentage of fund managers since the financial collapse of 2008 indicated that a recession is likely over the next 12 months. Another survey by the National Association for Business Economics found that 72% of economists predict a recession will occur by the end of 2021.

Now is the time to prepare for the next bear market. Pay down debt, build an emergency fund, and review your spending habits. Apart from those defensive actions, there are several ways to actually *take advantage* of a downturn. While bear markets are never a welcome event, there are time-tested methods of exiting the downturn stronger than you entered.

If you want to take advantage of the coming recession, keep these strategies in mind.

Up your contributions

Publicly traded companies are often bad role models. When their stock prices are high and prospects rosy, management teams often issue large buybacks to repurchase stock at all-time highs. Then when stock prices collapse and their shares are at bargain valuations, these same companies slow or even eliminate share repurchases. It's essentially a buy-high, don't-buy-low strategy. It doesn't take a genius to realize that's not a winning approach.

Individual investors often fall prey to the same dynamic. When equity markets are surging, they rush to buy more stock. When markets are in free fall, they stop buying and even start to sell. If a bear market hits, be prepared to take the opposite approach. Be prepared to *buy more*.

If you don't already have regular contributions set up, do it now. Have a certain amount deposited into your investment accounts every month. This will ensure that you continue to buy, even as prices get more attractive. If you already have regular contributions in place, consider upping them if a downturn hits.

Harvest your losses

Don’t forget to take advantage of time-sensitive tax benefits when markets fall. If you have short-term capital losses on any specific investments, you can sell them, using the capital losses to offset your current or future gains. For example, if you sell a stock at a $500 loss, you can use this loss to offset a $500 profit you make on another investment.

Selling losing stocks at the end of the year can help reduce you tax bills significantly. Just make sure you’re willing to forego owning the stock for at least a month. The Canada Revenue Agency will nullify any tax savings if you buy back the same stock within 30 days of selling.

Buy great companies

Great companies rarely go on sale. But during the bear market of 2008, nearly *everything* went on sale. It seemed like a once-in-a-lifetime opportunity to get blue-chip stocks at lucrative valuations. If you have stocks on your watch list that you’ve been wanting to buy, but the valuations have never made sense, the next recession will likely be your chance to jump in. Be prepared.

Consider **Shopify**. Despite a recent pullback, Shopify remains once of the priciest stocks on the market at 25 times forward sales. Yet the company is terrific in every way imaginable. It’s well run, has a sustainable technological edge, demonstrates incredible customer retention, and is dominating the rapidly growing e-commerce market. This stock rarely goes on sale, but you might get your chance if markets fall. Whichever stocks you have your eye on, make sure you’re ready to strike.

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