



3 Important Steps All Investors Must Take Ahead of a Recession

Description

When your anxiety about a recession starts to rise, it's a good idea to go over your portfolio and check to make sure it's as stable as can be. While you should always do periodic checks of your portfolio, there is really no better time than when there is a heightened chance of a recession.

There are a few steps to make sure you can weather the storm, especially if it lasts for longer than initially expected. By following these steps and being honest with yourself to plan for the future, you can prepare your portfolio to be as sustainable as possible and prep it for the corresponding recovery that will follow the recession.

Risk tolerance

The first step is to assess your risk level. This consists of deciding how much money you're willing to lose in a worst-case scenario and what cash you may need in the next few years.

Recessions and market corrections are very hard to predict in general, but predicting recovery time is next to impossible, so it's better to err on the side of caution.

Investors should take a good look at their personal finances in conjunction with their portfolio to decide what stocks fit their risk profile, and what level of cash is adequate to meet personal goals.

You'll also want some cash for potential stock purchases while the market is correcting, so that should be factored in as well.

It's important to remember that a recession, the severity of it, and the length are all unknowns, so having too much cash could be a problem as well, as you sacrifice opportunity cost.

Portfolio re-weighting

When going through your risk profile, you may realize you need to re-weight some of your portfolio to

defensive stocks or maybe even cash.

This is a good idea, but it's important to be aware of how much weight each category takes up in your portfolio.

Shifting some portfolio space to defensive stocks and cash could be a prudent move, but doing too much may leave you underexposed if the bull market roars on in the short term.

That's why it's important to slowly re-weight your portfolio while also making sure you still have adequate diversification.

Diversification

Diversifying your portfolio is key, so that you don't over expose yourself to one company, one industry, or one geographic location.

While you may want to accumulate some defensive stocks, it's important to spread that portfolio room over different sectors.

There are a number of different defensive sectors to allocate money to. You can buy grocery stocks, utilities, or even [gold miners](#).

A top example of a stock you may want to add to your portfolio ahead of a recession is **George Weston** ([TSX:WN](#)).

George Weston is a food distribution company that operates three main segments. Its Loblaw segment is all things attributable to George Weston's majority holding of **Loblaw Companies** shares, which accounts for most of George Weston's income.

It also has its Weston Foods Segment, which has a number of bakeries across Canada and the United States.

The last segment is its Choice Properties segment, which consists of George Weston's more than 65% stake in **Choice Properties REIT**.

It's an ideal company because the grocery business is one of the most defensive industries in the economy.

In addition, its massive cash flows allow it to pay out an attractive dividend that should remain stable through poor economic times. The dividend continues to reward investors and has been increased by 25% since 2014.

Bottom line

The main thing for investors to remember is the need to assess your portfolio to see what companies you own, and to try to have a significant portion of your holdings in companies whose earnings won't be massively affected if the economy were to contract.

The only thing more important than owning the right stocks is making sure you're not holding the wrong stocks, which could end up negatively impacting your portfolio for years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:WN (George Weston Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2019/10/09

Author

danieldacosta

default watermark

default watermark