



Investors: 3 Easy Steps to Prepare for the Next Recession

Description

Worried about a coming recession?

Then the only logical thing to do is prepare for it.

Recessions impact investors in a number of ways, most of them negative, at least in the short term. In addition to the dreaded stock market plunges that accompany recessions, there's also the threat of job loss, housing market declines, and credit problems. Many of these issues are beyond the scope of this article. However, if you're looking specifically for ways to prepare for a recession as *an investor*, the following three tips can help.

Step one: Build up cash

Building up a cash hoard in the lead up to a recession can benefit you in two ways.

First, it can give you a cushion that can keep you afloat in the event of job loss.

Second — and more fundamentally for the purposes of this article — it gives you the resources needed to buy stocks at discount prices.

Historically, stocks always recover from downturns caused by recessions. Therefore — assuming historical trends persist — recessions are buying opportunities. If you have a stack of cash laying around during a recession, then you will be able to take advantage of those opportunities. So, if you think a recession is coming, it may be better to save than invest while we're still near all-time highs.

Step two: Evaluate your portfolio

If you are going to hold stocks heading into a recession, it may help to invest in stocks that stand a chance of surviving one.

Utility stocks like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) can be great picks here.

Fortis is a regulated utility with assets in Canada, the U.S., and the Caribbean. As a utility, it enjoys an unusually recession-proof revenue stream that can weather even the worst of bear markets. Utilities as a class enjoy this advantage over most other equities. However, Fortis has performed a little better than the average utility, having outperformed the utilities sub-index by 30% over the last five years.

Fortis is embarking on a [\\$18.3 billion capital-expenditure program](#) that it says will increase its rate base considerably. The program will add infrastructure to serve more customers in the company's existing markets and reduce outages by improving the quality of existing infrastructure. The project will most likely be a big revenue booster; however, it will add to the company's already considerable debt load.

Step three: Re-balance your portfolio

Once you've selected a few recession-ready securities, your final step is to [re-balance your portfolio](#) to include more of them. Beyond utility stocks, you'll probably want some short-term bonds and maybe some physical assets in your portfolio. You can re-balance your portfolio by selling out of existing positions and entering new ones or by drawing on your cash stockpile to take new positions. Hopefully, by this point, you'll have heeded the advice in step one, since cash is absolutely paramount for investors trying to navigate their way through a recession or bear market.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:FTS (Fortis Inc.)

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