



Canadian Families: 3 Important Ways You Can Prepare for the Next Recession

Description

A recession is coming, and it could be a doozy.

Some of the smartest financial minds out there seem to agree with me, too. Warren Buffett, the greatest investor of all time, is currently sitting on a record cash hoard of some US\$122 billion. Although Buffett isn't going on record saying [a recession is coming](#), it's obvious he's saving his cash for a day when better bargains are out there.

David Rosenberg, chief economist for **Gluskin Sheff**, is incredibly bearish on the Canadian economy, saying there's an 80% chance of a recession in 2020. He points specifically to the large debt load carried by Canadian consumers, which is currently sitting well north of \$2 trillion. If rates head even a little bit higher, it'll be bad news for the whole economy.

The best time to begin preparing for a recession is now, before the worst is upon us. These moves can pay huge dividends in the future, including big psychological benefits when people around you are losing their jobs or seeing investment portfolios evaporate.

Here are three hugely important steps to take now to protect your money.

Pay down debt

Paying down debt is a good financial move no matter what the underlying economy does, but it's twice as important when times are tough.

If you do happen to lose your job during the next downturn, imagine trying to survive when you've got a mountain of debt to try and pay off. It just won't work.

The key strategy is to start with higher interest loans first. Tackle your credit cards, then move onto vehicle loans or your mortgage. Take special care to eliminate any loans with a lower balance on them, since that'll free up cash flow that can be put to a greater use.

If you don't have much debt then it's a great time to add to your emergency fund. It'll be a lifesaver if you or your spouse loses their job.

Plan for the future

Many jobs that go away during recessions never come back. Your career could be one of the casualties.

The time to plan for the future is today. For example, if you're an oil and gas worker in Alberta, then maybe it's time to get out of that sector and into something a little more stable. People who are involved in the real estate industry in Toronto might also want to look at getting out while times are good.

One thing that happens during recessions is, many folks head back to school, which means there's often a glut of graduates trying to get new jobs once these programs are over. You can avoid this by beating the rush and heading back to school or for re-training now.

Adjust your portfolio

The key thing to look for when planning for a recession with your portfolio is beta. That measures how volatile a stock is compared to the overall index.

There are several sectors with betas lower than one, which indicates less volatility. Things like consumer staples, utilities, telecoms, and REITs are more boring, while sectors like technology, pharmaceuticals, autos, and industrials are highly sensitive to the overall economy.

The solution is simple. Take some of your [volatile stocks](#) and trade them for more boring alternatives.

For instance, **Metro** ([TSX:MRU](#)) is Canada's third-largest chain of grocery stores, owning 947 different grocery stores in Ontario and Quebec. The chain also owns more than 650 pharmacies throughout Ontario, Quebec, and New Brunswick.

Both of these businesses are primed to continue performing relatively well during a recession. After all, you still need to eat and take your medicine. In fact, Metro shares performed quite well during the 2008-09 downturn.

Metro is a great choice to hold even during a good economy. A sharp management team is relentlessly pushing forward, slowly expanding the chain into new locations. Financial results are consistently great, with the company steadily increasing revenue (and earnings) while posting impressive returns on equity. And the company has been paying an increasing dividend for decades now. The current yield is 1.4%.

Finally, Metro is doing a nice job expanding into online food retailing, including offering customers in Quebec same-day delivery. This could be a huge long-term addition to the company's top line.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/07/03

Date Created

2019/10/25

Author

nelsonpsmith

default watermark

default watermark