



A Market Crash Is Inevitable – Here's What to Do

Description

If you're thinking that [a market crash is inevitable](#), you are not alone. If you are worried that a market crash is imminent, you are also not alone. There is no shortage of headlines these days pointing out the cash hoarding behaviour that we are seeing among high net worth clients.

The fears revolve around the fact that markets are at or near all-time highs, interest rates are so low that there is even talk of negative interest rates, geopolitical risks are high and the environment feels dangerously uncertain.

So, if you are concerned about all of these issues, what should you do? I have a plan that includes keeping some money on the sidelines as well as investing in defensive stocks that are also dividend growth stocks.

Holding cash to buffer yourself from the fall

Holding higher cash levels than normal is a prudent move to shelter your portfolio from an upcoming market crash. It not only reduces your downside, but it also leaves you with the ability to buy stocks when everyone else is selling.

Doing this has created massive value for investors in the past, and in fact, this is one of famed investor Warren Buffet's successful strategies.

So how much cash should we attempt to accumulate? Well, this depends on your conviction and at how comfortable you are maybe giving up some upside for the benefit of potential downside protection.

My cash balance is at 12% of my portfolio and while I'm debating raising more money, I am comfortable that I at least have some on the sidelines ready to deploy when I see some real value out there.

Defensive, dividend growth stocks to shelter you from the fall

In today's precarious market, there are two issues. One is having some money on the sidelines, which we just discussed, and the other is holding the right stocks. The right stocks today, in my view, are defensive, [dividend growth stocks](#).

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) is a great example of the kind of stock that we should be seeking out in order to protect us from a market crash.

Having recently reported another booming quarter and another 15% increase in its dividend, this defensive stock has most of the attributes needed for security and safety.

Waste Connections is an integrated solid waste services company that provides waste collection, disposal and recycling services in the U.S. and Canada.

It is the kind of business that withstands economic pressures, as this business is an essential one. The collection, transfer, recycling and disposal of solid waste is something that is needed regardless of the economic backdrop at any given time.

Along with its defensive attributes, Waste Connections has a strong history of solid cash flow generation and dividend growth. Waste Connections shareholders enjoyed a 24% dividend growth rate in 2016, a 17% dividend growth rate in 2017, a 16% dividend growth rate in 2018, and a 15.6% dividend growth rate in 2019.

Free cash flow as a percent of revenue is a phenomenal 19%, and shows the strength of this company and the strong potential for more dividend increases.

We can clearly see that this company and its shareholders are thriving.

Foolish final thoughts

Investors should be prepared for an inevitable market correction by raising cash and by focusing on defensive stocks that provide dividend growth. Waste Connections is a top stock to buy today and/or after a market crash after it goes down with everything else.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:WCN (Waste Connections)

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