Here’s 1 Awesome Trick to Limit Your Losses During a Market Crash

Description

Market crashes are inevitable and can cause huge losses when buying or selling securities. However, there are ways to limit your financial damage during a market crash. A stop-loss order — more specifically, the sell-stop order — is one awesome trick some stock traders use to avoid losing money.

For long positions

The sell-stop order sounds a bit complicated to newbie investors, but it’s worth knowing if you’re into stock investing. Let us use **Fortis** (TSX:FTS)(NYSE:FTS) as an example to make it easy to understand.

If your Fortis shares are trading at $53.07 and you wish to unload, you can place a stop-sell order at $52.07 per share. Once the share price drops by $1 to $52.07, it automatically triggers or executes as a market order at your specified stop price.

Since you have a long position on Fortis, the common practice is to set your sell-stop order below the current or prevailing market price to protect you from incurring losses.

Assuming you also own **Royal Bank of Canada** (TSX:RY)(NYSE:RY), or RBC, with a market price of $109.25. You set the sell-stop order at $108.25. Again, there will be a trigger to peg the market order when the price dips by a dollar.

But an important thing to remember is that stop orders are not allowed on the TSX.

“Buy-and-hold” equities

Selling stocks is a dilemma of stock investors that it gave rise to the stop-loss orders. The fear of losing money is prevalent when there is an impending market crash, and prices are falling. Buying stocks is not too much of a problem for as long as you have money to invest.

To free yourself of the worries and not resort to stop-loss orders, pick buy-and-hold stocks. Fortis and

RBC are blue-chip stocks you can purchase and hold forever. There won't be any frantic trading activities if you have both stocks in your portfolio. Boring it is, but you won't lose — but gain — money over the long haul.

Fortis is the ultimate stock if you want to use a single-stock investment strategy. The company has strong fundamentals and a healthy balance sheet. Revenue is growing, and cash is oozing from its regulated operations in the utility-electricity industry.

More so, Fortis has an impressive dividend track record of 47 years. You don't need tricks to maximize your overall returns. This $23.3 billion company will provide you passive income for eternity.

RBC is a no-brainer buy because it's the largest bank in Canada and the largest company on the TSX. It's hard to imagine a $156.7 billion banking giant to fall by the wayside due to a market crash.

Apart from being the personification of stability, RBC has been sharing its profits with investors through dividend payouts since 1870. You also have a defensive stock, as evidenced by RBC's resiliency during the 2008 financial crisis. The bank did not waver in maintaining a $0.50-per-share payout.

You might as well go with the flow if you know that corporations, institutional funders, and high-net-worth individuals in the U.S. are either investors or depositors in RBC.

No need for tricks

When you invest in Fortis and RBC, you sit back and relax. Let the income stream flow into your pockets without obstruction. Who needs tricks if you own shares of blue-chip companies?

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