



3 Ways to Protect Your Portfolio From a Market Crash in 2020

Description

The global stock markets are making the hair on the back of my neck stand up on end. Day after day, markets go up. Good news or bad, markets go up. Every day we are hitting all-time highs. Up and away it goes, and where it will stop, nobody knows.

It is not the fact that global markets are going up which is worrisome. A rising global market with increasing stock prices is, after all, the very reason to invest in stocks.

No, the reason why this market is especially worrisome is that it is built on duct tape, sandbags, and fingers stuck into holes where leaks appear.

You see, this market belongs to the generation of bubble-wrapping parents who want to coddle and protect their charges from any form of pain, suffering, or responsibility.

Central bankers and governments are trying their best to make the market into a perpetual motion machine. There should be periods of minor economic pain, controlled burns to keep moral hazard in check.

Unfortunately, that isn't what we're getting. To keep us from feeling any amount of small, short-term pain, governments are kicking an ever-expanding snowball down the road.

Worst of all, individuals are choosing to buy into it. After all, governments wouldn't act this way if the public, weren't so short-sighted to demand they do so. This will likely end badly, so how can you protect yourself?

Pay down debt

First of all, don't sell every stock you own. Market timing is more luck than skill. There's no way to know when the party will end, so don't even try.

In fact, the only reason it makes sense to sell is to pay down any outstanding debt you have. The ones who get crushed in a downturn are those with large debt loads.

Sell your high-flying winners. Tech stocks like **Lightspeed POS Inc.** ([TSX:LSPD](#)) will give you some cash to pay down outstanding lending.

The stock [has doubled](#) since it debuted on the **TSX** in the past year, so if you happened to pick it up early, you would be sitting on a nice capital gain. Using those hefty capital gains to strengthen your personal balance sheet can be a great idea.

As many such stocks don't have dividends, the only way to get capital back from the stocks is to sell them. Fortunately, capital gains from this high-flyer are taxed at a favourable rate, giving you a tax-efficient way to pay down debt.

Buy gold

A combination of physical gold and gold stocks is a great way to hedge against uncertainty. Probably one of the most reliable indicators of the uncertainty in the world today is the fact that gold has remained relatively high in spite of positive indicators.

Lower interest rates have done nothing so far to impact the price of gold; higher markets have done nothing to impact the price of gold.

Owning a gold miner like **Agnico Eagle Ltd.** is a great way to get exposure to the sector. This company has a yield of greater than 1% — a payout that was recently raised by 40%.

This should give you confidence in the company's future. It's also less exposed to geopolitical risk than many other companies, with many of its assets located in Canada and the United States.

Keep your dividend stocks

Hold onto those dividend stocks to get growing income streams through the bad times. If you bought companies like **Emera Inc.** ([TSX:EMA](#)) in 2018 as I recommended, you would be sitting on a nice capital gain and a growing yield.

I would not recommend buying this company at this price, but it would be a good idea to continue to collect these dividends from the greater-than-4% yield going forward.

This stock has a diversified base of utility assets, largely regulated, which will keep pumping out income through [good times and bad](#).

The Foolish takeaway

Although I'm not predicting imminent doom, it's a good time to start getting defensive. Our governments, central banks, and irresponsible everyday borrowers have made global economies very brittle.

While we could keep walking this tightrope for a while, it wouldn't take much to push us over the edge. Just make sure you don't go over with everyone else.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:LSPD (Lightspeed Commerce)

PARTNER-FEEDS

1. Business Insider
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