Stock Market Crash 2020: 3 Easy Tips to Keep Your Cool

Description

Thus far from the 2020 peak, the Canadian and U.S. stock markets have corrected about 11% and 14%, respectively.

The recent stock market correction could very well turn into a full-fledged stock market crash in 2020. If it does, here are three easy tips to help you keep your cool and generate outsized returns from the inevitable recovery of the stock market.

In the meantime, you can collect relatively high but safe dividend yields.

Focus on quality

Always focus on buying the leaders of the industries that generate stable profits and cash flow year after year — industries like the banks, utilities, telecoms, energy infrastructure, and real estate.

Leaders tend to have strong balance sheets and are more financially sound than their peers. By buying leaders with immense staying power that potentially take market share from competitors during times of turmoil, you can secure your long-term returns.

The **TSX Index** leaders in the banking, utilities, energy infrastructure, and real estate industries include **Royal Bank of Canada**, **TD Bank**, **Brookfield Infrastructure**, **Fortis**, **BCE**, **Enbridge**, **Canadian Apartment Properties REIT**, **RioCan REIT**, and **Allied Properties REIT**.

Focus on your dividend income

All of the quality companies listed above pay dividends or cash distributions that have increased over time.

I download the dividend data from my bank every month and use a spreadsheet to sum up the dividends I receive, such that I can tell how much dividends I receive in a month, quarter, and year.

Much like how companies compare earnings growth year over year, among other metrics, I focus on the dividend growth year over year.

If you buy quality dividend companies, the dividends you generate from your overall stock portfolio should not let you down even in a recession or market crash.

That is, even if a small number of your holdings do cut their dividends, the portfolio as a whole should grow your passive income stream.

In time, this stream will turn into a powerful river or even a sea of cash!

Focus on the long term

Focus on collecting dividends and investing for the long term. You can only collect dividends and benefit from the long-term growth of businesses if you hold the shares.

Will the businesses you buy or hold today be relevant 30 years from now? If so, you should forget about the gyrations of the market and buy quality stocks on market corrections as they trade at attractive valuations.

Often, investors don't like seeing stocks in the red. However, long-term investors should root for lower stock prices so that they can buy stocks at cheaper prices, get higher initial yields on dividend stocks, and boost their long-term returns!

Now is the time to buy!

Stock market corrections are the best time to buy stocks. From the dividend stock leaders listed above, I would consider pecking at the banks first (Royal Bank and TD Bank stocks) because they're the cheapest. They currently offer yields of about 4.5%.

Energy infrastructure stocks are also decently valued. However, you might want to wait for even better prices from utilities and REITs.

Once you buy, remember to hold them for at least five years. With that length of time, you should be able to see clearly the power of compounding returns and dividends work their magic!

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